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Vol. 54 No. 5 **June 23, 1934**

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SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign $8.50. Canadian $8.00. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

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WITH THE EDITORS

Hazardous Comparisons

"WHY this stock sold at $300 a share in 1929, and here it is around $20. Admittedly it was too high five years ago, but take one-half the '29 price, or even one-third and the stock looks to be on the bargain counter at the current price. If I could only find a buyer for that house I bought in '29, I'd let it go cheap and buy a block of this stock."

This bold appraisal has been ventured by many speculator — investors over the past year, in various forms, but always with the same point: that past price performance of a stock is of definite value in determining its present worth, particularly 1929 prices. It is apparently forgotten that the memorable peak of the boom saw innumerable fantastic prices in stocks, many of which had little or no demonstrated earning power even then.

During the deflation years following which ensued, investors and speculators both were painfully made to realize that they paid ridiculous prices for many of their stocks in 1929 and began to wonder how they could have been so gullible as to believe so strongly in future prospects as to accept 40, 50 or even 100 times the earning power of just one year as the measure of value for any stock.

There are several factors to consider in appraising the value of a common stock, such as earning power, financial position, caliber of management, position of industry in which the company operates, etc. If past performance is considered at all, it might be safer to examine the price record in such years as 1926-7 and 1930-31. Even then, however, it is unwise to view such data as of more than passing interest, for obviously they have no actual bearing on present or future value.

It is next to impossible to avoid glancing, at 1929 prices from time to time, but those who have learned their lesson will not attempt to draw any conclusions as to future trends from them. A drastic inflation, no doubt, would bring about a tremendous increase in value for many stocks, but not necessarily the stocks which were at peak prices in 1929.

Those who wish they could get $20,000 for the house which cost $100,000 in 1929 in order that they could put the money in a stock which sold for $100 five years ago and now is selling at $10 a share are hardly consistent.

In the Next Issue

Which Way for Business?

By JOHN D. C. WELDON

Germany Heads for Collapse

By H. M. TREMAINE

Six Months Moratorium on Foreign Payments—Gold Reserves at Lowest Ebb—Another Devaluation Approaching—What Will Be the Effect on World Trade, Currencies, Our Investment Stake? A Frank and Revealing Article Based on First Hand Data and Observation in Germany.

Other Features of Importance

Does 9-Cent Copper Mean Dividends?

Beneficiaries of the Modified Bankruptcy Act

Rails With Good Prospects of Resuming or Increasing Dividends

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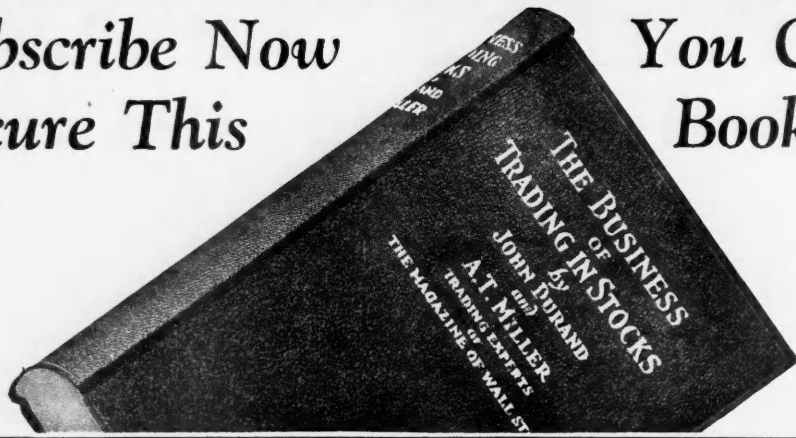

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CHAPTER IV—*The Technique of Manipulation (cont.)*
Short selling—why profits are quicker on the short side. Converting paper profits on the upside into cash.

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The Trend of Events

— *"The More Abundant Life"*

— *Coming German Crisis*

— *Senator Shipstead's View*

— *Government by Men*

— *Banking Versus Underwriting*

"THE MORE ABUNDANT LIFE"

IN his latest message President Roosevelt has served notice that the New Deal will continue to insist that reform and recovery march together. Looking toward further reform, he asks far-reaching social legislation of the next session of Congress. The New Deal itself is a vague abstraction. Its vagueness, indeed, is a prime reason for business confusion and uncertainty. To define its objective as "the more abundant life" is scarcely clarifying. That, however, is the theme song to which Congress apparently will dance next winter. The most important proposal, stated by the President in very general terms, is the establishment of a national system of unemployment and old age insurance. Mr. Roosevelt adds that he is making very careful actuarial studies on the subject.

With the objective, no one can find fault. But the method is of paramount practical importance. As to this, the President says the necessary funds "should be raised by contribution rather than by an increase in the general taxation." Contribution from whom? From business? From workers? From both? In what proportions? And there will be many other questions. Starting at a time when employer and employee incomes are sub-normal, can premium receipts be large enough to provide the necessary fund? If not, the temptation will be strong to impose a great part of the initial load on the Government. In the long run—as the British have learned by experience—the actuarial basis must be sound and unemployment payments must be based on a minimum subsistence level. The "more abundant life" is to be had out of work and production—not from Santa Claus.

COMING GERMAN CRISIS

FINANCIAL clouds hang darkly over Germany, sore spot of Europe. Financial storm will almost certainly break. It may or may not prove serious to the outer world. Certainly the world is in all respects better prepared to stand it than in 1931, when the central European smash touched off international panic. In external economy Germany is virtually a bankrupt debtor. The gold coverage of her currency has dropped

to a meaningless fraction. Export trade has persistently dwindled. The budget is seriously unbalanced. As a temporary remedy, in addition to virtual cessation of foreign payments, Germany can choose between painful deflation and another revaluation of the mark. Yet Germany is essentially a trading nation. Lacking many natural resources, self-contained prosperity is out of the question. What is left? The preposterous Hitler policies have further alienated world opinion. The economic kick-back is reflected in extensive trade boycotts. The political kick-back is a tightening cordon of potential military foes, heading up to France on one side, to Russia on the other. So have the Nazis guided Germany to her place in the sun! Ultimately—despite a completely muzzled press—the Germans will awake to the fact that they have merely been led out of the frying pan into the fire. What then will be the reaction? They do not know the ways or traditions of democracy. Whether Right or Left, the next swing of the political pendulum may be extreme. Herr Hitler will hardly come through unscathed. It becomes ever clearer that he, rather than France, is Germany's greatest present enemy.

SENATOR SHIPSTEAD'S VIEW

WE THINK that journalism is at its best when it serves as a free forum for the expression of intelligent opinion. It is with this thought that the article, "The Road to Recovery," by United States Senator Henrik Shipstead, is published on following pages. We agree with the Senator that inflation is not a full remedy for our economic ills. With his assertion that we can not borrow our way back to prosperity we are also in full agreement. We vigorously disagree, however, with his argument that the control and management of credit should lie with the Government. In support of his argument on this point, he asks whether "the Government would have made as much of a mess of banking between 1920 and 1933 as private proprietors did?" In our frank opinion, the answer is: "Yes." Private bankers are responsible to a variety of laws, to their depositors and to their stockholders. Holders of public office are responsible to the mass of voters, to mass emotion, to the transient shifts of the political winds inevitable in a democracy. Confronted with this choice—and in full recognition that neither bankers nor politicians are infallible—we feel just a bit easier with our deposits in the hands of private banking management!

GOVERNMENT BY MEN

CONTROL of the securities markets and of securities issuance will in the near future rest in a commission of five men to be appointed by President Roosevelt. Under the recently adopted legislation, the administrative authority of these men—or of a three-to-two majority of them—is so broad as virtually to constitute government of the nation's vital financial markets by men, rather than by law. One can only hope that the appointees will measure up to the tremendous responsibility involved. The ideal control commission would be composed of men of wisdom and experience, of intimate knowledge of the financial markets, and of reputations commanding instant and unquestioned public confidence. It would be composed, moreover, of men without private interests which could in any way conflict with their public obligations. Are we likely to have this ideal commission? The answer is—no. Congress says the gentlemen whose decisions may affect for good or ill at least $50,000,000,000 worth of securities will receive salaries of $10,000 a year each! For this and other reasons it should surprise no one if the commission averages young in years and experience, and averages strong in "Brain Trust" leanings. Yet wisdom is not confined to the aged or the eminent. These mighty five may rise to the occasion and surprise us with their ability and moderation. Private finance would be foolish not to co-operate with them to the fullest and give them every help in a most difficult task.

BANKING VERSUS UNDERWRITING

JUNE 16 was the fateful date. After this one could be either in the banking business or in the securities business; not both. In view of how much money there is popularly supposed to be in the issuance of new securities, and further taking into consideration the recent modification of the Securities Act, it is surprising how many of the big banking institutions have decided against underwriting. The security affiliates of the Guaranty Trust, the Chase and National City banks all will be liquidated. J. P. Morgan's choice was perhaps the most astonishing. This famed security house voted against the business in which its name probably is the better known and henceforth will be a bank. From the turn that matters have taken, there is every reason to believe that in the future the underwriting of securities will be concentrated in fewer hands. This Magazine has long advocated the complete segregation of the banking, security issuance, and brokerage business and there is no doubt but that recent developments will tend to afford the public an important measure of protection. When these activities are in one and the same hands, despite the fact that malpractice has been the exception rather than the rule, the firm's interests and the interests of the customer are too frequently in conflict to make the arrangement a satisfactory one. As for the decrease in the number of those in the securities business, this, during a time of heavy capital activity, should make for a less extreme form of competition among issuers.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 227. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, June 18, 1934.

Buy? — Hold? — Sell?

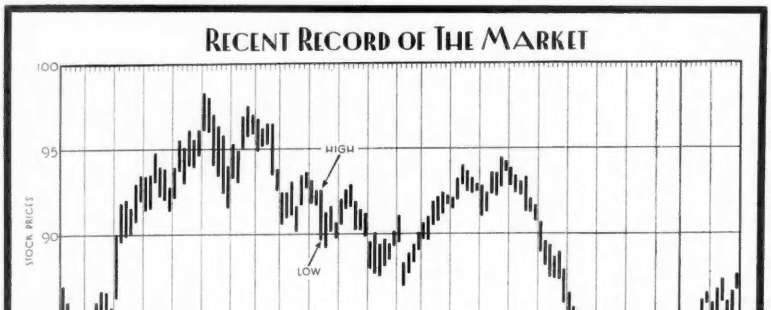
Long and Short Term Investment Policies Clearly Defined

By A. T. Miller

IN sentiment and performance the stock market has made a turn for the better. For no obvious reason, but nonetheless to the gratification of its friends, it signalled the change out of a clear sky on Friday, June 8, in the sharpest rally experienced since the notable dollar-revaluation rally of mid-January.

The volume of transactions on that day spurted to slightly more than 1,600,000 shares. Judged by normal standards, this is nothing to get excited about; but it approximately tripled the average daily activity of the preceding fortnight. Coming without the support of any striking news developments, it thus proved that most of the month of May had been given over to the exaggerated speculative pessimism and apathy usually present after protracted weeks of intermediate reaction.

It is at least encouraging to know that—despite seasonal business reaction, strike threats, political disturbances and Federal control of the financial markets—speculative hope still lives, even though the demonstration may, and probably does, reflect merely the familiar reversal of tactics by professional traders in what for months has been essentially a trading market.



For what they may be worth, the technical indications at this writing are favorable. By a comfortable margin, the April-May decline halted above the market's low point of last October. Following a mild and straggling rally, secondary reaction in the first week of June approximately duplicated the low of May and was accompanied by an obvious drying up of offerings.

At present the market is at a price level some 10 per cent above the "double bottom" thus outlined. Strictly on technical reasoning, the possibility of a test of the lows of last October probably can be put out of mind. Moreover, also on technical grounds, there would appear to be slight danger that the bottom level of May will be threatened in the near future.

All of this, of course, can go by the board in a market which for more than a year has never been able for more than a short time to take its eyes off the doings of the Roosevelt Administration. External developments can at almost any time upset a speculative apple cart motivated by the mental reactions of in and out traders.

We think it a reasonable assumption, however, that external developments in the political sphere in coming weeks are more likely to be favorable—even though perhaps only mildly so—than not. As this is written the adjournment of Congress appears imminent. Some of the proposed legislation most objectionable to business has been abandoned, notably the original Wagner Bill.

Then, too, cumulative developments appear to warrant the belief that the Administration has adopted a more rational and moderate attitude. This was seen in its willingness to permit substantial modifications of the Securities Act and of the securities markets control bill. It is seen in its persistent refusal to back organized labor in the American Federation of Labor's own private interpretation of the labor clause of the Recovery Act. It is seen in the rapid abandonment of impractical and unworkable provisions of the N R A codes. Less tangibly—but nevertheless psychologically important—it is seen in the tacit abandonment of the "crack down" temper so apparent only a short while ago at Washington; and in a Rooseveltian pat on the back

for business in the form of a reiterated assurance in the President's latest Congressional message that he does not oppose "the incentive of reasonable and legitimate private profit."

Assuming that the market's political burdens will lighten somewhat, the next question is the near-term business prospect. Thus far the recession in aggregate business activity has been surprisingly slight. It is virtually certain, however, that the recession will continue into the third quarter. It will be aggravated somewhat in all probability by a substantial falling off in the steel industry's operations, currently held at an abnormally high rate by orders placed against fear of a steel strike and by fulfillment of future needs in advance of higher prices to take effect July 1.

Yet it is important to bear in mind that conformity seldom exists in the sequence of business and stock market trends. Almost invariably the stock market looks several months ahead. By the first week of February, it will be recalled, it had discounted the substantial business expansion of the first quarter. From that early February level four months of irregular and occasionally interrupted reaction carried prices down a maximum of 18 or 19 per cent.

It would seem logical to infer that this decline discounted not only such mild business recession as has thus far occurred, but also such further recession as is generally expected in industry during the next month or six weeks. The very fact that business recession is widely expected and has been substantially, if not wholly, allowed for, tends to eliminate this factor as a dynamic speculative influence.

Accordingly, for the near term we think the odds favor improved market action, with attention centering shortly on hopes of late summer or early autumn expansion in business; and with speculative conjecture shifting to the possibilities of advance, rather than to the possible dangers of decline.

On this reasoning we reiterate previous advices that sound equities be retained, and that additional purchases of selected issues be made, either for investment or intermediate holding, by those whose available funds are not adequately committed. Accompanying this article, we again present a list of recommended stocks.

As for the longer term outlook, *we see no possible basis for abandoning the conviction that, relative to cash, property—including sound common equities—is embarked upon a major advance.* No one should permit such transient fluctuations of a trading market as we have seen in recent months to obscure the basic factors making for a rise in property values and a consequent cheapening of money.

Such a result is implicit in the policies our Government is pursuing. In the long run it matters not, in price effect, whether it come about by "natural" cyclical recovery of economic activity or by inflationary governmental measures or by—as is more likely—a combination of the two.

Our inflationary measures are nothing so crude as printing paper money. They are less obvious than this, but should be clearly discernible to the seeing eye nevertheless—and quite regardless of so-called orthodox Federal financing and of the high level (in paper dollars) of Government bonds.

How orthodox is the Administration's fiscal policy when it steadily absorbs an increasing proportion of the nation's banking assets in Treasury loans, when the value of the dollar in the foreign exchange market is fixed by the 2-billion dollar stabilization fund operating in secrecy and when the same fund operates to control a bond market which is supposed to reflect the value of the Government's obligations?

In the 40 per cent depreciation of the dollar, in Mr. Roosevelt's permissive authority to depreciate it another 16 per cent from the present gold value, in his permissive authority to remonetize silver and in the Treasury's present reported purchases of silver, in government expenditures which continue far to outrun receipts and in a budget thrown further out of balance by the additional appropriation by Congress of $525,000,000 for drouth relief—in all of these things we are unmistakably confronted by inflationary actualities, probabilities and possibilities. The basic picture, in our opinion, is such as utterly to preclude any possibly significant liquidation of property holdings for cash.

Stocks Recommended for Current Purchase

Atchison	**Mathieson Alkali**
Bohn Aluminum	**American Cyanamid**
Commercial Credit	**National Sugar**
Bristol-Myers	**Liggett & Myers "B"**
Briggs Manufacturing	**Trico Products**
Chesapeake & Ohio	**Pillsbury Flour**
Continental Oil	**Corn Products**

Moreover, we think it pertinent to observe that the chances of the inflationary measures getting the desired results are increasing rather than diminishing. Since July, 1933, we have seen them impeded by contradictory governmental policies. They were impeded by the deflationary effects of the N R A program of raising wages and costs ahead of profits, and of raising the prices of a wide variety of manufactured goods to a point still further out of line with farm products and other raw materials, the reflation of which was an original basic objective. They were impeded by the over-zealous Securities Act of 1933 and by the threat, over a period of many weeks, of equally over-zealous stock market reform.

As a recovery measure, N R A is now relegated to the background. The Securities Act has been importantly modified, and the stock market control legislation now adopted is far less onerous than was originally threatened.

In short, the inflationary program in coming months will without question have fewer deflationary obstacles in its path than has been the case heretofore. The next immediate phase of it will no doubt be a pronounced stepping up of emergency expenditures. Such expenditures played a large part in checking business recession last autumn and in bringing about expansion. They were then tapered down, apparently reflecting the Administration's desire to test the underpinnings of the recovery movement. What has now followed is business reaction.

It may or may not be the fact that heavier emergency expenditures in the next few months will be related to the approach of the Congressional elections of next November, at which season the Administration would quite humanly desire business to make a favorable showing. It may or may not follow that another dose of Federal spending will put business on a level from which it can proceed satisfactorily on its own momentum. The chances are that no such happy result will be had, but, rather, that each such artificial injection will be followed by relapse and demand for more of Uncle Sam's patent medicine.

The longer outcome is beyond conjecture. The practical certainty of the present is the early injection of stimulants

(Please turn to page 267)

World Business Gains

Despite War Clouds and Political Handicaps Most Countries Have Risen Well Above Depression Lows —Some Through Inflation, Others After Deflation— Can They Hold Their Gains?—What Is the Outlook?

By John D. C. Weldon

FROM time to time one or another captain of industry, no little disturbed at the growing fusion of politics and business, reminds us that "natural" cyclical recovery is in unmistakable progress throughout the world—strong enough to override the mistakes of governmental management.

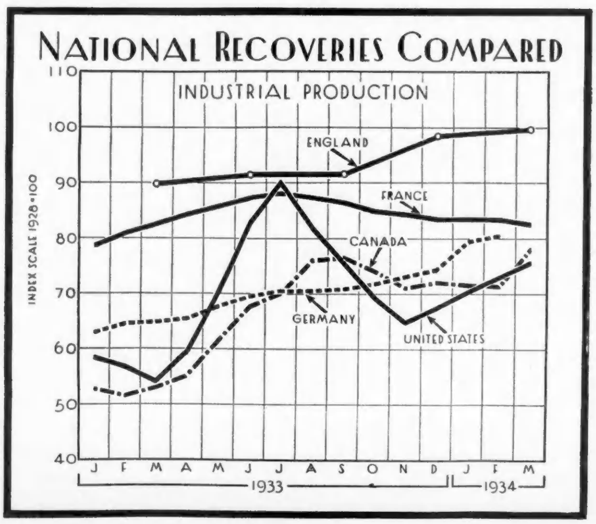
It is a hopeful thought in parlous times, and it is supported by some factual evidence. From various sources, a mass of pertinent statistics are available to us. Boiling them down to the essence, it appears that aggregate world economic activity reached a new high of recovery during the first quarter of this year, that at the close of the first quarter the world as a whole had regained approximately 30 per cent of the depression's decline in productivity, that final reports for the second quarter will show an aggregate business recession, the significance of which is beyond present estimate.

The upward trend may be said to be universal in that all major countries are now at an economic level decisively above the depression low. The turn came for a few in 1931, for others in 1932 and for the rest in the first quarter of 1933.

Beyond this observation, generalization is vain; for as one examines the course of each major country the differences far outnumber the similarities. Almost everywhere governmental management in greater or lesser degree is inextricably intertwined with the so-called "natural" cyclical movement, baffling analysis of the precise effect of either motivating force. But this similarity, broken down, only leaves one confronted with endless differences of national policy and philosophy.

Again, analysis tempts one to observe that the agricultural debtor countries, which live chiefly by exporting raw products to creditor nations, have experienced a more pronounced recovery than have the majority of industrial and creditor nations. But there are exceptions at each end, and the point additionally loses significance when one bears in mind that the depression was most acute in agricultural countries.

One is further tempted, at first glance, to observe that those countries now in the most favored position are invariably those which in the last two or three years have adopted policies of currency depreciation; and that those currently in the worst position are the countries which continue to cling to the gold standard, either technically—as in the case of Germany and Italy—or genuinely—as in the case of France, Belgium, Holland and Switzerland.



Without doubt inflation on the part of such world powers as Great Britain, the United States and Japan—not to mention Canada, Sweden, Australia and the rest—tends to exert a seriously deflationary effect on the gold bloc countries. But this is to over-simplify the extremely complex world economic pattern.

The full reality can be found only by objective analysis of each major country. First: What is the economic trend? Second: What are the chief motivating forces?

Great Britain

In this country the index of business activity at the end of the first quarter had advanced by approximately 25 per cent from the depression low of 1932 and was back at approximately the average level of 1927-1928-1929. But the latter years were not boom years for Britain as they were in the United States. They merely constituted several moderately good years in a protracted period of slow and arduous adjustment of major post-war economic problems. In some fields of business, notably foreign trade and shipping, they left Britain well below her pre-war level. The British depression of 1926 —a prosperous year for the United States — carried business activity down to a level less than 75 per cent of the 1924 average. The world depression of 1930-1931-1932 carried the same index down to only a trifle under 95 per cent of the 1924 average.

The absence of preceding excesses in business expansion and in security and real estate speculation—such as occurred in the United States — unquestionably tended to support British economic

activity at a relatively favorable level during the recent depression.

But there was and is another supporting force not commonly appreciated by analysts who exaggerate the importance of the British monetary policy. Britain happens to be the leader of the world in the cotton and woolen textiles trade and is the major textile exporter. In the aggregate of her economic activity, this "consumption goods" enterprise is of major importance. Only Japan is like her in such respect. World production of textiles remained almost constant throughout the depression. World mill consumption of cotton in 1932 was only slightly less than in 1928.

In addition to these two inherent advantages outlined above, credit must be given to wise and successful policies of government. In passing, it is worth noting that many of our New Deal innovations in social reform are an old story in Britain; including slum clearance, old age, widows' and war pensions, poor relief, public health, etc. More specifically, business and investment confidence were given a great boost by formation of the conservative national government and by its introduction of budgetary reforms. In the huge sum provided for the Exchange Equalization Fund's "management" of the pound sterling, in the negotiation of trade agreements with other countries—chiefly the British dominions and colonies—and in tariff action designed to protect a larger part of the domestic market for home producers, we have other forms of intelligent governmental intervention.

On the evidence, currency depreciation has been only one of many factors and probably not a major factor. For example, the physical quantity of British exports in 1932 was virtually the same as in 1931, yet it was in 1932 that Britain had the chief advantage in relation to competitive currency depreciation.

Statistics of employment, railway traffic, retail trade, etc., merely conform to the generally favorable trend indicated above. For our purposes, it remains to add that British internal prices have been almost horizontal for the last three years, giving an enlarged number of workers the advantage of a relatively stable cost of living; and that, unlike the position in the United States, there has been a healthy revival in new financing, offering industry needed financial support. It need hardly be said, of course, that Britain, among other advantages has the world's finest banking system.

Despite wide variations between countries, the aggregate of world economic activity reached a new high of recovery during the first quarter of 1934. A recession from this level is indicated by incomplete second-quarter figures. The third quarter will test the virility of underlying cyclical recovery.

Japan

We turn next to Japan not for her world importance, but because her recent economic movement is similar in a few respects to that of Britain. At the close of 1933 Japanese industrial production was at the highest level of all time, some 40 per cent above the 1928 average. Currently, there has been a considerable recession from the high mark. As far back as 1925, wholesale prices were in a declining trend, reaching bottom in 1932 and rebounding some 25 per cent by the start of 1933. Since the start of 1933 the trend has been moderately downward, despite further radical depreciation of the yen to a point nearly 65 per cent under former gold parity.

For the low point of Japanese economic activity during the past generation, we have to go back to the severe deflation which quickly followed the ending of the war. Soon came another teriffic blow in the great earthquake of 1923. Yet recuperation was amazingly fast. In the five years 1925-1929 industrial production increased approximately 30 per cent. The world depression hit Japan late in 1929. The value of her silk production, a vital trade to Japan, was cut in half in little more than a year. Nevertheless, an abrupt turn was made early in 1931 from a bottom level of depression only some 7 or 8 per cent under the average 1928 level.

This country's position today reflects the flowering—especially rapid since the war and in recent years—of the occidental industrialization imposed upon her nearly three-quarters of a century ago, and to which she took like a duck to water. The war demand boomed this industrialization and provided profits which went back into more efficient manufacturing plants of all kinds, notably in cotton, woolen and rayon mills, in machinery, steel, paper and a host of other products—many in important export demand. Textiles probably account for 40 to 50 per cent of Japanese economic activity. Thus, the same stable world demand which sustained Britain helped Japan. By 1933 she had caught up with Britain as a cotton textile exporter.

Other advantages are cheap labor, highly efficient despite long hours; currency inflation more extreme than that of her major competing countries; the economic activity growing out of militaristic penetration into Manchuria; and, finally, the abnormal demand of recent years for cheap merchandise of all kinds. The two last-named forces are temporary, and so are the advantages of radical currency inflation. Accordingly, the present Japanese boom will not last. On the other hand, the evidence appears clear that Japan will remain a major factor in world production and trade.

France

In 1921, ravaged by war, France saw her industrial production dip to a low point less than 50 per cent of the 1913 average. That low to this day has never been closely approached. With moderate interruptions in 1925 and 1927, the major trend of industrial production was upward to the middle of 1930, the high point being some 45 per cent above the 1913 level.

Strong points of the French economy are a thrifty agricultural class, a favorable balance between agriculture and industry and — under normal conditions — tourist revenues and exports of luxury goods, notably some classes of textiles, sufficient to balance needed imports. In the years between 1921 and 1930 these apparently secure foundations were further bolstered by the economic activity resulting from post-war reconstruction and the steady building up of national defenses and armaments. Throughout, too, France has followed a devious labyrinth of tariff trading and of politico-economic management.

The effect of world depression, reduced exports, rigid French prices and rigid industrial costs all combined to cut industrial production by approximately one-third from 1930 to mid-1932. By the middle of 1933 nearly 35 per cent of this loss had been regained, but renewed deflation then set in and has continued to date. A reflection of it was the recent French political and financial crisis, now at least temporarily relieved.

Budget reforms have been made, the flow of gold is again

inward to Paris and the Government appears firm, but the steel industry is stagnant and exports, especially of textiles, remain acutely depressed. At this writing, economic activity appears to be around 10 per cent under the best level of 1933. It remains to be seen whether deflationary adjustments are sufficient. They will not prove so in the event of further currency depreciation by other leading nations. In that event, France will have to choose between further deflation or currency revaluation, both politically difficult and distasteful.

Germany

Essentially an industrial and trading nation, Germany suffered a decline of 58 per cent in industrial production between 1929 and 1932. Since 1932 there has been a recovery of more than 33 per cent in industrial production to a level only 20 per cent under that of 1928. Yet such apparently hopeful figures by no means tell the current confused and parlous story. In no country, save Russia and Italy, is the fusion of government and economics more complete. One is forced to wonder whether the apparent internal improvement is solidly founded or artificial and temporary. Recently voiced dissension might suggest some impairment of the solid front previously exhibited to the world.

Germany is not rich in natural resources. Germany is the third most important trading nation. The question, therefore, inevitably presents itself: Can Germany have an enduring economic recovery solely on an internal basis? The answer in all probability is in the negative. The country's foreign trade position is worse now than it was at the bottom of the depression. Despite elaborate and ingenious foreign exchange restrictions and more and more severe limitations on payments of external obligations, gold coverage of the currency has declined to approximately 3 per cent, the lowest ever for the present mark.

There are signs of a growing flight from the mark in its current weakness against other currencies and in reports from London that German exporters are leaving their balances in that city. Reports from Paris indicate expectation of a crash in the mark and another revaluation. No doubt largely in reflection of these external difficulties, internal production and trade are currently reported to show a declining trend. Moreover, it is clear that the Hitler policies have more and more tended to isolate Germany and to provoke greater or lesser hostility in an increasing number of countries. When one takes into account the justified resentment of the trades unions, of the Jews, of the Catholics and even of the Protestant sects which abhor the German Government's attempt ruthlessly to set up its own brand of state religion, it is no wonder that the German export market has severely suffered. There is no reason to believe the former favorable balance of trade can be recovered in the near future.

The fact is that for Germany the war has never ceased, but has merely been transferred from a clash of armaments to a clash of economics and political systems. Against this overhanging reality, it is meaningless to discuss steel production, trade figures and employment. Indeed, all such statistics must be taken with a large grain of salt, for it is more than obvious that the Hitler regime is far more interested in propaganda than in facts. Financial crisis, of course, is nothing new for Germany. They have come in fairly frequent succession since the war.

Canada

From its peak in 1929, Canadian business activity declined by nearly 70 per cent in the depression. Recovery, as in the United States, began in the first quarter of 1933, and, despite a moderate reaction in the late months of last year, has been fairly well maintained, reaching a new high in the first quarter of 1934. Since then, again in conformity with the movement in the United States, mild recession has again appeared. At its recent high point, however, Canadian economic activity was still some 45 per cent under normal. Aside from currency depreciations matching that of Britain, government intervention in Canada has not been a major influence. But since Canadian recovery on the whole is of approximately the same degree as that in this country, it would seem that the record leaves little to choose between our New Deal planning and Canada's much greater reliance on "rugged individualism." On the favorable side, in long-term implication, however, Canada is still a developing, rather than a developed, country. Agricultural production, while still vastly important, is being rapidly overtaken in the national economy by industrial production. Excepting Russia, Canada's industrialization in the five years preceding the depression was the most rapid of any country. It is likely to experience much further growth.

Australia can blame her depression losses to declining world trade and to long years of unwise fiscal policy and over-borrowing. Conversely, the very pronounced recovery since 1932 can be credited to fiscal reforms, deflation of wage costs, a corrected balance of international payments effected through currency depreciation, and to favorable export demand for her wheat and wool, the two chief export products.

The Italian economic picture, like that of Germany, is bafflingly interwoven with the complex policies of its authoritarian Fascist government. But, unlike Germany, Italy is not of major importance to the rest of the world either in agriculture or industry, however vital her destinies may be to her own millions.

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Photo by Aerial Explorations, Inc.

New Financing Unshackled

Legal Barriers Lowered in Much Improved Securities Act

By Laurence Stern

THE capital goods industries remain the sore spot of depression and unemployment.

Their revival—and, in turn, general economic recovery—depends in important measure upon an increased flow of savings into capital investment.

The movement of such funds into new corporate issues has dwindled to the merest trickle, partly due to the severely punitive provisions of the Securities Act of 1933.

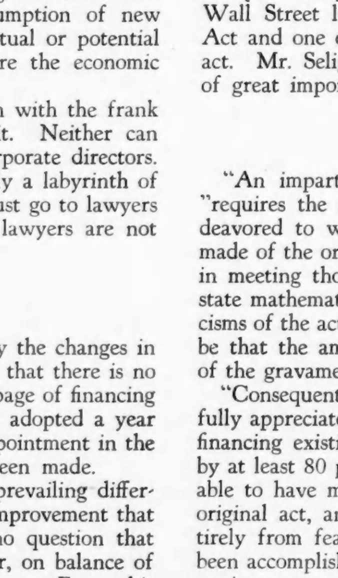
That act has now been modified in legislation adopted by Congress and made law by the President's signature. Two questions, vitally related to the progress of recovery, present themselves. First: Have the legal barriers been lowered enough to permit prudent resumption of new financing? Second: How large is the actual or potential demand for new financing, and what are the economic factors affecting it?

As to the first question, one must begin with the frank realization that no layman can answer it. Neither can the majority of investment bankers or corporate directors. The modifications of the act are necessarily a labyrinth of voluminous legal verbiage. Hence, one must go to lawyers for the answer—and, unfortunately, the lawyers are not in agreement.

The Lawyers Disagree

Some, expert in this specialized field, say the changes in the act make it substantially workable and that there is no longer cause in it for such a complete stoppage of financing as has been experienced since the act was adopted a year ago. Others, equally expert, express disappointment in the "inadequacy" of the changes that have been made.

Yet it is encouraging to note that the prevailing difference of opinion centers on the *degree* of improvement that has been effected in the act. There is no question that there *is* an actual improvement. Moreover, on balance of legal opinion, the improvement is significant. From this it follows that, so far as legal barriers are concerned, the door to new financing has been opened wider, the bottom of stagnation in financing has been seen, and an important revival of security flotations is legally possible.



It can be taken for granted that the leading underwriting firms, as well as a number of corporations desiring to do financing or re-financing, have called upon their attorneys for guidance as to the risk involved in flotations under the modified act. Recently representatives of seven of the largest Wall Street law firms met to exchange views, preliminary to making individual reports to their respective clients. No uniform expression of opinion was made public. Without a doubt, none was arrived at.

Accordingly, nothing like a uniform response on the part of underwriting firms is to be expected. Each will have to weigh the degree of remaining risk outlined by its counsel and balance this against the possible profits to be had from such financing as is available.

For the purposes of this article, however, one legal opinion is available and is from a source commanding widespread interest. It was recently published in the *New York Times* by Eustace Seligman, a member of an eminent Wall Street legal firm, a keen student of the Securities Act and one of the most outspoken critics of the original act. Mr. Seligman holds that the changes now made are of great importance.

Analysis of the Changes

"An impartial analysis of the amendments," he says, "requires the conclusion that the Administration has endeavored to weigh fairly the criticisms which have been made of the original act and has gone a very great distance in meeting those criticisms. If an attempt were made to state mathematically the extent to which the justified criticisms of the act have been met, the answer would appear to be that the amendments remove approximately four-fifths of the gravamen of the objections to the original act.

"Consequently, once the effect of the amendments is fully appreciated, it is believed that the brake on long-term financing existing under the original act will be removed by at least 80 per cent. While it would have been preferable to have met 100 per cent the valid criticisms of the original act, and to have freed directors and bankers entirely from fear of unjust liability, nevertheless what has been accomplished by the amendments is of the very greatest importance and should result in an immediate stimulus to financing and a consequent aid to recovery and re-employment."

Within the scope of this article, only a few of the major amendments can be discussed in detail.

First, the original act permitted recovery of the full loss suffered by the purchaser of a security, even though the mistake in the registration statement filed with the Commission in no way caused the loss or only caused part of it. The amendment makes the damages prima facie the full loss, but reduces damages to the extent the defendant can prove that any portion or all of the loss was not caused by the

mistake in the registration statement. This change, while an improvement, leaves an unfairness in the act by putting the burden of proof on the defendant, rather than the plaintiff. Another helpful change confines damages to the original issue price of any security offering, rather than to the higher market price at which a purchaser may have acquired it.

Second, the original act permitted recovery by anyone who purchased the security upon a stock exchange or otherwise, regardless of whether he had so much as seen the prospectus or registration statement containing a mistake. The amendment only partially corrects this unfairness. Under it reliance on the prospectus or registration statement need not be proved if the security was purchased prior to the publication by the issuing company of an earnings statement for a period of twelve months beginning after the effective date of the registration. Reliance, however, must be proved if the security was purchased after the date of publication of such earnings statement.

Standard of Care

Third, the original act fixed the standard of reasonable care on the part of the issuer as that required of a fiduciary. Under the amendment the required standard of care is that required of a prudent man in the management of his own property.

Fourth, under the original act to avoid liability a defendant had to prove not only that he relied on an expert, but to prove also that he had reasonable ground to believe the statement of the expert to be true. Under the amendment the defendant can rely on the expert on proof that he had no reasonable ground on which to believe such expert's statement untrue.

Fifth, under the original act each member of an underwriting syndicate was liable to all purchasers of all of the issue underwritten. Under the amendment no underwriter is liable for damages in excess of the aggregate offering price of the securities underwritten by him.

Sixth, the period in which recovery suits can be brought under the act has been shortened to three years after date of the public offering. Under the original act it was ten years.

Seventh, the amended act permits a court to require a bond for costs from either party to a suit, which costs may be for all expenses if the court decides the case to be without merit. This should go far to deter strike suits and thus eliminates one of the glaring weaknesses of the original act.

For the substance of the above comparisons, the writer gratefully acknowledges Mr. Seligman's condensation of an extremely complicated bit of legislation.

Necessarily, as above stated, opinions will differ. Other experts, attempting to emulate Mr. Seligman in a mathematical calculation, will probably conclude that only 50 per cent of the valid criticisms of the 1933 act have been met, or 25 per cent or 15 per cent. For the sake of recovery, we can at least hope that Mr. Seligman's appraisal is near the mark.

So much for the legal aspects. There are other aspects, of course, equally important. They are economic in character. These, as well as the Federal law, will determine whether coming months are to produce a significant revival in new financing.

To begin with, no one can say with certainty what the *precise* effect of the Securities Act of 1933 has been. We know that financing has declined to an abnormally low level here; that it is lower now when business and the bond market have experienced a notable recovery than it was at the bottom of the depression when business was stagnant and the bond market was in the doldrums; and that in Great Britain capital issues are in the largest volume in several years. We know further that in the five months of 1933 preceding the enactment of the Securities Act the average monthly volume of new financing was substantially heavier than it has been in the months since the act was adopted, despite the fact that economic and financial conditions have been more propitious in the latter period than in the former.

On the weight of the circumstantial evidence, then, it appears clear that the Securities Act has been a major deterrent, even though it acted merely to curtail still further an activity otherwise severely enough depressed by force of economic circumstance.

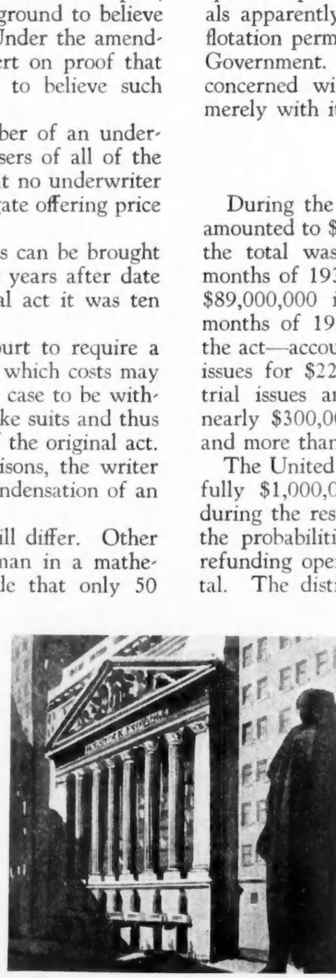
It is an ironical fact that much of the limited financing which has been done under the act has been of highly speculative character, notably in gold-mining and brewery promotions. The Better Business Bureau of New York City has thought it necessary recently to point out this fact, to warn against promoters who are "deterred but little by responsibilities of civil liability" and to warn specifically against uninformed "investment" in gold-mining promotions.

Regrettably, the act has aided, rather than hindered, irresponsible promoters because of the fact that some individuals apparently assume, in ignorance of the law, that any flotation permitted under the act has been endorsed by the Government. Actually, of course, the Securities Act is not concerned with the investment merit of any issue, but merely with its truthful representation by the issuer.

Stagnation in Financing

During the first five months of 1934 new capital issues amounted to \$89,000,000. During the same period of 1931 the total was \$1,179,000,000, and during the first five months of 1930 it was \$3,221,000,000. Moreover, out of \$89,000,000 in new capital issues during the first five months of 1934, railroad issues—which are exempt from the act—accounted for some \$47,000,000 and public utility issues for \$22,000,000. Manufacturing and other industrial issues amounted to less than \$20,000,000, against nearly \$300,000,000 in the corresponding period of 1931 and more than \$1,100,000,000 in the same period of 1930.

The United States Chamber of Commerce estimates that fully \$1,000,000,000 in new financing can be expected during the rest of the year under the modified act. If so, the probabilities are that the bulk of this will represent refunding operations, rather than the raising of new capital. The distinction is important, for whereas refunding will bolster the financial structure of various corporations, it is only new capital flotations that directly stimulate the durable goods industries by providing funds for capital equipment or expansion.



The most important issues thus far floated under the act, including the American Water Works and B.M.T. financing, were refunding operations. The latter was sold orally within the State of New York, without use of the mails, to avoid the act. The former involved a registration statement of 200 printed pages and an additional

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The Nation Can Not Borrow Itself Into Prosperity

Yet Better Use of Credit Is a Paramount Need

The Road to Recovery

By U. S. Senator Henrik Shipstead

ADVOCATING his harsh policy of deflation to the Italian people a little while ago, Mussolini commended them to docile submission to a hard life—even to go on without hope that life would ever be easier or prosperous again. There are those in this country who preach a like doctrine of despair, who believe that hereafter we shall make ends meet only by recourse to a lower standard of living. And that, despite the fact of our enormous resources, our still sparse population, our mastery of power and machine, and our demonstrated ability to produced superabundances of almost everything needed or coveted by man. This is an ignominious confession of failure to use what we produce. I, for one, do not subscribe to such a doctrine of failure.

I do not purpose to discuss here the problem of distribution or redistribution of wealth in general as a means of meeting the paradox of insufficient consumption in the face of the triumph of production. I intended merely to jot down a few notes about what should be done to get us out and keep us out, for a time, at least, of the economic mess in which we find ourselves without immediately resorting to a general reconstruction of our economic fabric.

Let me say frankly that I am greatly concerned over what lies ahead of us. I have supported all of the relief measures of the Administration as well as those that aim to go deeper than mere relief, including the monetary measures, but I am apprehensive of some of the ultimate effects that may ensue. In a broad way it may be said that we are seeking immediate relief by deferring or piling up debt, public and private, whereas what we need is a reduction of the debt burden.

Inflation No Permanent Remedy

Inflation is not a full remedy. If overdone it may leave us worse off than we were before, because it may bring about a devastating breakdown of our economy after a short period of prosperity. If accompanied by a business revival and a price level recovery it will lift the burden of present debts, because it will enable them to be met with dollars of the same equivalent in labor and commodities as those in which they were incurred. But it is not a permanent solution of the problem of excessive debt, because debts hereafter incurred will again tend to resume unmanageable proportions. It is necessary to take steps which prevent debts from becoming again too heavy to bear. One way is a reduction of capital charges.

Yet some of the things we are doing move in the direction of rigidifying present capital charge burdens. The price provisions of some of the N R A codes point in that direction. Protection of the costs of manufacture by a minimum price based on average costs is plainly a step in the direction of solidifying water in stocks and bonds. It is in effect an effort to maintain a swollen factor of capital costs in production—an effort to protect the sick overgrown mammoths of business against the natural economic forces that work for their cure or destruction. These mammoths have found that their fixed charges and their ambitions to pay dividends have made it doubtful whether they can compete successfully against new, smaller and unencumbered concerns. A protected basic price may be their salvation. It is a means of maintaining the fictitious capitalization of mortgages, stocks and bonds, which in my opinion had more to do with the bringing on of the depression than any other factor.

A large portion of the four or five billions which have been expended by the Reconstruction Finance Corporation have had the effect of perpetuating unrighteous burdens. I am not criticizing those expenditures; they were in the nature of bailing out a sinking boat when there was not the time or the means for closing the leaks. But we can take steps to prevent a recurrence of conditions that made the boat undependable. We must lop off the unbearable burden which the managers of capital have imposed upon the nation.

Gross Abuses of Credit

The simple fact is that as a nation we have abused credit most abominably. No country of Europe has debauched its credit as we have. We have permitted hordes of promoters to deal with credit, which is a national fabric, as if it were their private affair. We got to the point in 1929 where a national income of $80,000,000,000 had to support a debt structure of $250,000,000,000. Today we are trying to support that structure, only slightly deflated as to its potential weight, on an income of $40,000,000,000. Even if the load be somewhat deflated, what are we to do about the probability that it will become heavier than ever if our present abuse of credit continues? Had we gone on with the policies of the preceding administration the debt burden would have been cut down by the natural processes of deflation, but the means of production, the ways of meeting debt, would have been impaired if not destroyed.

But the fact remains that whereas debt has not been greatly deflated the earning power of the nation has been horribly deflated, despite counter attempts at inflation thereof. In various ways we are now whittling away at the problem of equalization of burden by desultory efforts to reduce interest charges. That is a move in the right direction, but all that has been done so far is only a drop in the bucket. Outside of what the Government is doing to procure the rewriting of farm and home mortgages in some cases of acute distress (an effort that hardly reaches 10 per cent of those groups of mortgagers) about the only effective reductions of interest rates we have yet had are those of the savings banks—not to borrowers but to their depositors. The small capitalist has his money wages

reduced, but not the big capitalist. We have today a borrowers' strike. The borrower has come to realize that he had been paying too much for capital. Better to do nothing than work with too costly capital and lose all and gain debt. Owners of capital, to be sure, have been burned, too, and are not keen to lend. This brings me to what I consider to be the crux of our present difficulty. It is not enough to attempt to control interest rates by law. It can not be done universally, whenever there is a scarcity of money or credit.

The Medium of Exchange

We must realize that the medium of exchange in the United States is credit. The Government puts its stamp on what we call money. It issues money. The Constitution gives Congress the sole power to coin money and regulate its value. When the constitution was written there was, I believe, only one bank in the United States. Bank credit did not exist. Business was done with cash or on individual credit between buyer and seller. Today 90 per cent of our business is done with bank credit. The people supply the cash which is the basis of that credit but there is no real public control of the credit which is really the most commonly used money.

I can't imagine a constitutional convention of today writing a money power paragraph without taking bank credit into consideration. In old times one took his gold and silver to the mints and they stamped it into money. Nowadays we take our cash to the banks and they make it into multiplied credit. The banks make the credit with which we do business and regulate its value as well as its issued volume. The great banks have been and will continue to be controlled by special interests. The real power to coin money and regulate its value is today in the possession of the banks and of them who own or control the banks.

It seems to me that if there is any social service which should be in the hands of the Government it is banking. The banks are the money-irrigating system of the nation. Control of them in the group interest is necessary. We are come upon times when the costs of production and distribution must be cut to the minimum. It is necessary that the largest possible portion of production shall be converted into the largest possible amount of purchasing power for current consumption. That means that interest rates must be low, very low. Today the excess reserves of the member banks of the Federal Reserve System are in excess of $2,500,000,000, but if one goes to the bank to borrow he finds that he will pay even more for the use of money than he did five years ago.

Harris & Ewing Photo

Senator Shipstead

The people have renewed their confidence in the banks but the latter have none in the people, or the future. The result is that banking doesn't bank. Present control is interference rather than wise direction.

We have traveled further on the road toward direct management of banks by public agencies than we realize. But on the whole we have gone just far enough to hobble the good banker but not far enough to make good banking.

The Government has invested R F C funds in many thousands of banks.

The Government has insured private funds in private banks under public charters to the extent of $2,500 for each account, and will go further.

It has the Federal Reserve System, which all the national banks were compelled to enter and into which most of the larger state banks have been herded. The Federal Reserve Board is a public body. It has great powers over its member banks, and the Board is appointed by the President. The bank reserves of the nation are in its hands, if not in its power. I think we should go on toward an integrated banking system by taking over the twelve Federal Reserve banks. I know all the objections to government control and ownership, but it is sufficient to ask whether the Government would have made as much of a mess of banking between 1920 and 1933 as private proprietors did.

The R F C is about the biggest bank in the world right now. I don't know how many other Government agencies are in the banking business in some degree. We are on the way to full control of money, whether you call it money or credit. The sooner, in my opinion, we go the full route, the better it will be.

Excesses of the Past

I realize that commercial banks are not the whole of the credit problem, but heretofore they have been largely instrumental in the broadcast flotation of securities. We need, perhaps, some further credit control. The stock exchange and securities laws are steps in that direction. I do not think we can ever again permit mere private money-making initiative of banks and investment bankers to sink $17,000,000,000 of American investors' wealth abroad, as they did between 1920 and 1930, or the indiscriminate flotation of $70,000,000,000 of stocks and bonds at home in ten years against a fictitious increase of 70 per cent in national income. Investing will be a lost art if that sort of thing is renewed.

Among other changes we must have before we can really regain prosperity is a change in our tariffs which will protect producers who are compelled to sell at world prices and buy at protected national prices. Transportation costs must be reduced. The enormous overheads of industrial production must be reduced. More of the proceeds of group action through corporations must go to investors in the form of dependable income; and to employees in the form of wages, and less to big salaries and financing rackets.

We can't borrow and spend our way out of our troubles. Putting the Government into more and more debt and making it easy for people to borrow is not the way to balance budgets or gain permanent prosperity. It takes active industry and trade to fill the treasury and create buying power. Taking money away from people and giving it to others may be necessary to prevent starvation, but it is not good business. We must go to the fundamentals of trade—the exchange of goods and services for other goods and services. Cheap money is not sufficient, and may be a destroyer. We often say that trade between nations is not so much a matter of money as aggregate barter—one nation buys from another with what it sells that nation. It is not different with domestic business. By a complex process into which money and credit

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Happening in Washington

By E. K. T.

NRAdom far and near was rocked to its foundations by General Johnson's sensational announcement of a new deal in code price provisions. Although the announcement applied particularly to codes which have not yet been approved, the statement that negotiations would be undertaken to re-write those provisions in existing codes was taken as the beginning of the end of all price control under N R A authority. Washington was immediately bombarded with thousands of telegrams, long distance telephone calls and cablegrams. Foreign buyers hastened to cancel orders, domestic buyers did likewise and many manufacturers immediately quoted prices below code minimums. One coded industry estimated that the order bolt from the blue had cost it $50,000,000. All hands agreed that buying would be tremendously curtailed in all the price-control industries and that N R A had struck a suicidal blow at itself. On second thought General Johnson endeavored to soften the blow, but it was no use.

Code price structures are reeling like drunken men and dreams of orderly marketing and stable business are fading fast.

Budget balancing went into the discard with the President's request for $525,000,000 for drought relief knocking it galley-west.

New Dealers rejoiced, for here was another golden opportunity to commit the nation irretrievably to economic reconstruction. They rushed in at once with plans and cash to buy arid farms and move their owners to humid plots, as a forerunner of a grandiose scheme to turn the great plains back to sod, cattle, Indians and perhaps buffalo—to prevent the coming of a Sahara west of the 101st meridian.

Banker from a drought-devastated county told me that he was telling his customers that they were almost certainly as good as depositing their money with the Federal Deposit Insurance Corp., but they were turning it in just the same.

Senator — not from a drought state — gloomily remarked that they would do better—the depositors—to buy some of the land that is blowing away, because the coming inflation would at least leave the subsoil. Spending orgy in White House and Capitol, he said, could not be stopped, borrowing on the security of previous borrowing could not go on forever, and heavy taxation was a stark impossibility. Remained only the money printing resort.

Big Campaign is being organized for the President's Housing bill, assuming that it shall become an act. Last summer the nation was blue-eagling at top speed. This summer all good citizens will be mightily stirred to borrow to rebuild their homes or build new ones. Advertising agencies are anticipatorily licking their chops. Scheme is to work lenders and borrowers into a complementary furore to take advantage of the act. Everybody is to build or rebuild and everybody is to lend or borrow and buy or sell. It is the fate of a government of action and initiative that it must always be beating the tomtoms. Great results are expected, despite the fact that foreclosures are going on at the rate of 40,000 a month. This bargain counter in home financing will be maintained only for two years for renovizing and three years for new building.

Building and Loan Associations are yelping about government competition but they get a sop in the way of insurance of their depositors up to $2,500.

Budding Borrowers for home building are asking how they can get money out of banks when the bank's examiners insist on 100% liquidity. Word is going out from Washington to the banks or rather to the examiners to forget liquidity when it comes to financing a home mortgage.

But some potential lenders tell me that they don't care to lend in the face of the prospect that they may be paid back in shrunken dollars. That's one reason why I have vast faith in sound common stocks.

P W A is not content with financing municipal power plants. It's now financing a municipal paper mill in Florida and bakeries in Michigan to be run by unemployed bakers. Soon the Government will have its money into everything which it does not insure—sometimes both.

Example of combination: R F C has a billion in six thousand banks insured as to many billions of deposits.

Seventy-two billion dollars of fiat money are called for by bills introduced by members of Congress who are eager to keep the Government from running out of cash.

Brain Trust has gone British. J. M. Keynes, heterodox British Economist, is accredited with shaping the present White House plan for further recovery. The Keynes idea is to slow up on N R A, drive ahead on A A A, stop monkeying with money, and spend $400,000,000 a month until something gives 'way. Current developments indicate the adoption of the Keynes prescription.

Washington is optimistic despite the steel threat, drought, chinch bugs, cut worms, Japanese beetles, grasshoppers, hell and high water, inflation and deflation. Feeling is that we are on the road to prosperity.

James Allen Etching, Courtesy Kennedy & Co.

Labor Poises the Monkey Wrench

Will It Toss It Into the Economic Machine Or Put It Away?

By P. T. Sheldrick

UNDER the New Deal the labor movement in this country—if so confused a heterogeneity can be called a "movement"—is going through an evolution of vital significance both to employee and employer.

Such is the basic reality underlying the epidemic of strikes and strike threats, the bickerings of labor leaders, the frantic efforts of Congress to improvise a workable solution and the equally frantic efforts of the Administration to apply successful mediation in each major dispute.

To say that the initial phase of every economic recovery is marked by labor unrest and by a mounting total of man-hours lost in strikes is a truthful generality—but quite meaningless in the present situation.

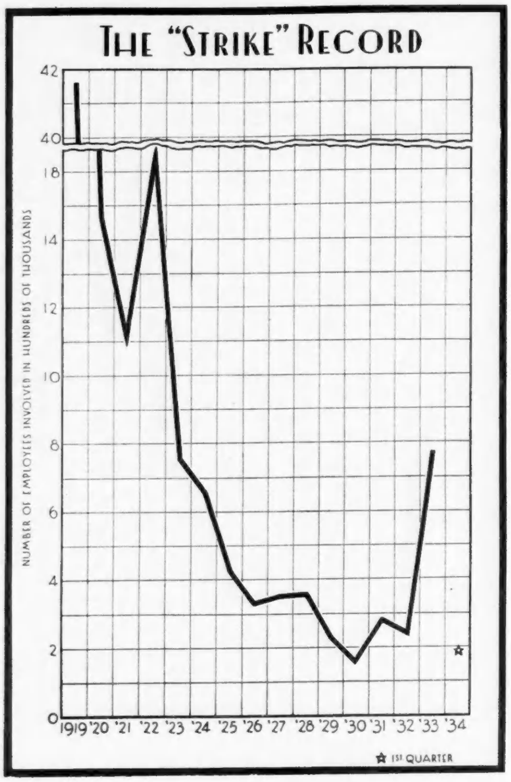
Strike statistics gathered over a period of years by the United States Department of Labor show that in past periods of labor unrest—notably in 1919, in 1921 and in 1927-1928—the essential issue in 75 to 80 per cent of all strikes centered on wages, hours, working conditions or some combination thereof.

But sweated labor, under N R A, is a thing of the past. Whether under N R A compulsion, a desire to co-operate in the Administration's recovery program, or strategical effort to forestall labor troubles, the fact is that the fruits of initial recovery have never before been so promptly and fairly shared with labor by business and industry. Today the issue in the majority of strikes and strike threats is not wages or hours. Indeed, it is not even "collective bargaining." It is "recognition" of a particular union, headed by a particular set of professional leaders more or less responsible, in turn, to the national leaders of the American Federation of Labor, which is a none too closely knit federation of craft unions.

Now the drive of recent months and of today for "recognition" is obviously based on union labor's interpretation of the now famous "7A" clause of the National Industrial Recovery Act. It is nothing less than a national misfortune that the wording of this clause and the initial interpretation of it by N R A, by the Secretary of Labor and by other Federal administrative officials were such as to lead the then existing "labor movement" to believe that the Government had become its partner and would support its recognition drive with the compelling force of law.

It was this reasoning which led the American Federation of Labor to seek to gain a hold in the automobile and

steel industries, always and traditionally "open shop." Previously, this organization had represented only a minority of American workers, with its most notable successes in the printing and building crafts. It is only fair to point out that the elaborate jurisdictional rules and the many jurisdictional disputes in the two latter crafts—and especially in the building unions—is one reason for the stubborn aversion of the motor and steel industries to this brand of unionism.



To digress for a moment, it is pertinent to observe that the highly unionized building trades are the center of most acute depression, that they have always been afflicted by sporadic racketeering and that their arbitrary maintenance of wage scales wholly out of line with both the general wage level and the national income constitutes a continuing hindrance to recovery in this industry. In this connection it is of interest to note that in attempted furtherance of the Government's pending housing program, an official effort will be made to obtain wage concessions, along with concessions in the price of building material, also out of line with economic realities.

For any clear understanding of the national problem now confronting us, one has to go back to the Recovery Act itself. Probably no act of national policy has ever been administered so badly and at such wide variance with the original intentions of Congress. For this—and for the inevitably resultant headaches—the Administration itself is to blame.

To this writer it seems plain that a careful reading of the Recovery Act will show that it was originally intended to rest on a minimum of compulsion and a maximum of voluntary compliance. It was intended to *permit* industry to organize under codes, shunting aside the anti-trust laws, in return for certain considerations. Chief among those considerations were the highest possible wages, shortened hours where possible and the right of employees to organize and "bargain collectively through representatives of their own choosing."

Obviously, the Government can not *compel* two individuals to bargain, if they do not wish to do so. But under the privileges granted by N R A it had a means of inducing codified industry to accept collective bargaining. Unfortunately, the original motives were forgotten in N R A's enthusiastic ballyhoo. By administration, more and more compulsion was read into the act. "Cracking down," or threats to do so, were the order of the day.

From the dangerous position thus taken, the Administration has now been trying to back down for many weeks. It began to back down last autumn when codified industry stubbornly and successfully refused N R A's final overenthusiastic demand for a further general rise of 10 per cent in wages and a 10 per cent reduction in hours. There has since been a further retreat, along lines not pertinent to this article.

For our purposes, the turning point in the Administration's labor policy clearly came in the President's solution of the threatened automobile strike last spring. Whether impressed by the adamant opposition of the motor industry or belated recognition of the dangers of open Administration support for the American Federation of Labor, Mr. Roosevelt worked out a compromise much more satisfactory to the industry than to the Federation. In essence, it provided for collective bargaining on a basis of proportional representation of workers or groups of workers, under the supervision of a board of three, with one impartial member. What is important is the fact that it did not establish the closed shop principle, with a majority of employees acting bindingly for all. It is the latter type of organization that the A. F. of L. desires.

To this writer it seems increasingly clear that the Administration favors collective bargaining on free choice of the employees of individual companies, not under compulsion of a numerical majority or the desires of groups elsewhere in an industry. Individual company unions—not "company" in the sense of being dominated by the employer — would perhaps be joined in a loose federation of other such company unions in the same industry. This sort of thing is a far cry from labor domination by the American Federation of Labor.

In connection with this assumption—it can only be an assumption as long as actual Administration policy remains without public clarification—it is significant that the Administration has thrown its weight against the stringent Wagner Bill, which contemplated a large element of employer coercion in its attempted solution of the labor problem; that its effort to work out last-minute labor legislation rests basically upon a plan to establish a national system of mediation—a plan, incidentally, with which the present union leaders are not satisfied—and that its effort to prevent a national steel strike was confined to a suggestion of mediation.

The cold fact is that there can be no workable solution by legislative fiat. The Government can protect the civil rights of employees in matters of assemblage, free speech, etc. But similarly it is obligated to protect the civil rights of employers. Beyond this, what magic formula is possible?

In practical fact, the only immediate approach is in the field of diplomacy, of mediation, of compromise. Beyond this, any possible venture of the Government into even a semblance of legal coercion of employers would inevitably entail, sooner or later, a similar legal control of labor. Such is the history of government protection, and it can not be otherwise.

Which brings us to the ironical fact that the American Federation of Labor is unwittingly trying to get the Government to put a noose around the organization's neck in

(Please turn to page 266)

Recovery, Reflation and Reform

A Highlight Record of a Congress, of Billions, Sense, and Nonsense

By THEODORE M. KNAPPEN

LEAVING President Roosevelt a blank check for six billions, more or less, to wage the war against depression and human misery, the 73rd Congress, as this is written, is about to leave the national stage. For near six months it has strutted, stormed, clowned and starred—reached the heights of nobility and rolled in the gutter of ignominy.

It has been a session of colossal affirmation and amazing eccentricities. As much distinguished by what it struggled to do and failed as by what it enacted. On the side of mortal rashness was the defiant rejection of the President's veto of the independent offices bill, which kicked in the bulwarks of the sacred budget in two places—pensions and salaries of government employees. Rashness which failed drove one form of the failed bank pay-off deposit scheme through the House and to the Senate and secured assent for votes on the pay-off bill proper as well as the Frazier bill for farm mortgage lifting with fiat money and an overwhelming victory in the House for one paying the soldiers' bonus in the same simple manner. But all died in the meshes of parliamentary manipulation by the President's managers.

Record of Legislation

Acting negatively with sanity and courage, Congress took much of the destructiveness out of the stock exchange regulation measure fathered by the Administration, and bettered to some extent the securities regulation act passed in 1933. Going beyond the Administration program it added some $400,000,000 to the annual taxes—soaking the rich and easing the poor.

Appropriations reached the perhaps all-time total—war years excepted—of approximately 7 billions, those for relief purposes of all kinds exceeding the entire revenue and putting the country into the hole by the whole amount of the ordinary governmental expenditure—being some $3,200,000,000. In a panic of fear aroused by the drought which threatened the economy of 19 states, Congress fired a parting shot of some $500,000,000 of cash at the demon of distress just before it went home, and cheered a message from the President foretelling a magnificent program of physically and socially remaking the land for the generous consideration of the next Congress and implying that grandiose spending would go on indefinitely.

Three measures of a fundamental and possibly critical nature were passed by the last session:

1. The standard gold dollar was authorized to be devalued at between 50 and 60 per cent of the $20.67 of a hundred years' standing; and simultaneously the Treasury was authorized to take over all the gold of the Reserve Banks, paying for it with gold certificates at the old rate, thus making a paper profit of about $3,000,000,000. At the same time an exchange stabilization fund of $2,000,000,000 was created from the profit. Under the authority of this "gold reserve act" the President valued the dollar at $35 to the gold ounce.

2. Silver was recognized as metallic reserve money and the President was authorized to purchase enough silver bullion and issue silver certificates against it to bring the market price of silver up to $1.29—and incidentally inflate the paper currency by from one to two billion dollars.

3. The President was authorized to enter into reciprocal trade treaties, without the concurrence of the Senate, in which he may alter existing duties by as much as 50 per cent.

Any of these big three may be looked back to in the future as the fountain of disaster or prosperity, but the conservative view is that, taken in connection with other legislation of inflationary incidence, they spell the approach of inflation—either currency or credit or both—in actual realization. In some quarters inflation in actuality is now considered as destined in 1935.

A measure of vast importance, although in itself merely a continuation and not an innovation was the extension of the life of the Reconstruction Finance Corporation.

Active, If Not Wise

Other acts deserving special mention are:

The Bankhead law regimenting cotton production. The rejection by the Senate, in defiance of the insistent support of the President, of the St. Lawrence ship canal treaty with Canada.

The Johnson bill forbidding American financing of public obligations of countries whose governments are in debt to the Government of the United States.

The Corporate Reorganization law, which provides a way for the quick cleaning up of corporation wrecks, and the law for municipal bankruptcy, which is intended to disperse the flotsam and jetsam of the wreck of municipal credit.

The sugar control act, which reduces the sugar tariff and determines quotas of production for the mainland, the dependencies and Cuba.

The Glass bill authorizing the Federal Reserve Banks and the R. F. C. to make capital loans to small businesses to the extent of $400,000,000.

The President's scheme for reviving the construction and

(*Please turn to page 266*)

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "doubled starred" the issues which appear to us most desirable, safety of principal being the predominant consideration; while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chesapeake & Ohio Ry.								
★★1st Cons. 5s, 5.1.39	222	30	3.2	3.7	N C	110	2.8	Of the highest grade.
Gen. 4½s, 1992	222	50	3.2	3.7	N C	110	4.1	Still strong, tho junior to issue above and prior liens thereto.
Ref. & Imp. "B" 4½s, 1995	222	60	3.2	3.7	110*	104	4.3	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	222	16	3.2	3.7	N C	108	4.4	Assumed by C. & O. Better grade bond.
Chicago, Milwaukee, St. Paul & Pac. R. R.								
Gen. "A" 4s, 1989	478	150	.1	.4	N C	66	6.2	Although position improved, issue is a large one. Medium grade.
50-Yr. "A" 5s, 1975	478	106	.1	.4	105*	43	11.8	Junior to the large general mtge.
Conv. Adj. "A" 5s, 2000	478	183	.1	.4	105	14	...	Junior to two issue above. Speculative.
Chicago Union Station Co.								
1st "A" 4½s, 1963	67	60	....	....	105	107	4.1	Guarantors include strong roads. Mortgage position also good. High grade.
Guaranteed 5s, 1944	67	7	....	....	105*	107	4.1	Similarly guaranteed as issue above, but not mortgage secured.
Louisville & Nashville R. R.								
Unified 4s, 1940	237	70	.8	1.2	N C	102	3.6	Standing improved by increase in earnings. Almost high grade.
1st & Ref. "C" 4½s, 2003	237	58	.8	1.2	105 '39	98	4.6	Junior to issue above.
★10-Yr. Sec. 5s, 1941	237	10	.8	1.2	103 '36*	97	5.5	Collateral is valuable. Better grade.
L. & N. Atlanta, K. & C. Div. 4s, 1955	237	25	.8	1.2	N C	100	4.0	Better Grade.
New York, Ontario & Western Ry.								
Ref. (now 1st) 4s, 1992	30	20	1.5	1.2	N C	64	6.3	Medium grade.
Gen. 4s, 1955	30	9	1.5	1.2	110	56	8.5	Junior to issue above.
Norfolk & Western Ry.								
★★1st Cons. 4s, 1996	91	41	4.9	6.4	N C	106	3.7	Of the highest grade.
Div. 1st & Gen. 4s, 1944	91	35	4.9	6.4	105	106	3.3	Junior to issue above, but still high grade.
Pocahontas C & C P. M. 1st 4s, 1941	..	11	....	....	105	105	3.2	High grade.
Northern Pacific Ry.								
Prior Lien & Land Grant 4s, 1997	309	106	.9	1.0	N C	98	4.1	High grade investment.
Gen. Lien 3s, 2047	309	55	.9	1.0	N C	70	4.3	Junior to issue above, but still strong.
★Ref. & Imp. "B" 6s, 2047	309	145	.9	1.0	110 '36	98	6.1	Junior to two issues above.
Union Pacific R. R.								
★★1st R. R. & L. G. 4s, 1947	355	100	2.4	2.4	N C	106	3.4	An investment of the highest grade.
1st Lien & Ref. 4s, 2008	355	86	2.4	2.4	107½	100	4.0	Junior to issue above, but still strong.
40-yr. 4½s, 1967	355	27	2.4	2.4	102½*	102	4.4	Unsecured by mortgage, but are good quality investments.
40-yr. 4s, 1968	355	20	2.4	2.4	100	96	4.2	
Oregon Short Line 1st 5s, 1946	355	29	2.4	2.4	N C	112	3.7	High grade.
Oregon-Washington R. R. & Navigation								
1st & Ref. 4s, 1961	95	72	def	....	105	99	4.1	U. P. guarantees.
Oregon R. R. & Navig. Cons. 4s, 1946	95	23	def	....	N C	102	3.8	Prior in lien to issue above.

Public Utilities

Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	4.6	3.8	100	102	3.9	Of the highest grade.
Dayton Power & Light 1st & Ref. 5s, 1941	20	18	3.5	2.9	105*	107	3.9	Better grade bond.
Duke Power Co.								
1st & Ref. 4½s, 1967	62	40	2.2	2.4	104½*	104	4.3	Better grade investment.
Southern Pub. Ut. 1st & Ref. 5s, 1943	62	16	2.2	2.4	105	...	...	Strong bond.
Georgia Power 1st & Ref. 5s, 1967	117	98	2.0	1.8	105*	80	6.5	Rate reductions lower caliber somewhat. Medium grade.
Houston Ltg. & Pwr. 1st & Ref. "A" 5s, '53	28	28	2.6	2.6	103*	105	4.6	Better grade.
★Jersey Central Pwr. & Lt. 1st & Ref. (now 1st) "C" 4½s, 1961	42	42	2.1	....	105*	92	5.0	Better grade.
Laclede Gas Light Co.								
Ref. & Ext. 5s, 4.1.34 (Ext'd)	36	10	1.5	1.3	....	88	...	Offered cash payment of $21.60 for five-year extension.
1st Coll. & Ref. "C" 5½s, 1953	36	23	1.5	1.3	103*	61	10.2	Junior to issue above, tho $10,000,000 of the former pledged hereunder.
Louisiana Power & Light 1st 5s, 1957	18	18	2.4	1.9	105*	93	5.6	Reasonably good bond.

Street's Bond Appraisals

Public Utilities (Continued)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
★★Louisville Gas & El. 1st & Ref. "A" 5s, 1952	31	27	2.4	2.5	110*	105	4.6	Better grade investment.
Massachusetts Gas Cos.								
★20-Yr. 5½s, 1946	51	16	2.0	2.0	105	101	5.4	Ranking equally, both these issues are good grade.
★Deb. 5s, 1955	51	24	2.0	2.0	103	95	5.4	
Boston Con. Gas Deb. 5s, 1947	11	11	5.5	....	105	107	4.3	Senior to two issues above. Strong bond.
Milwaukee Gas Light 1st 4½s, 1967	13	13	2.7	2.6	107½*	105	4.2	Better grade.
Minnesota Power & Light Co.								
1st & Ref. 4½s, 1978	36	29	1.7	1.5	101¾*	75	6.1	Medium grade.
Great Northern Power 1st 5s, 2.1.35	..	..	....	....	110	100	5.0	Good sound issue.
Montana Power Co.								
★1st & Ref. 5s, 1943	46	29	1.8	1.6	105	100	5.0	Good caliber.
Deb. "A" 5s, 1962	46	13	1.8	1.6	104*	77	6.8	Ranks junior to issue above.
New England Power 1st 5s, 1951	11	11	3.9	4.3	105	...	...	Better grade bond.
New Orleans Public Service, Inc.								
1st & Ref. "B" 5s, 1955	55	30	1.3	1.2	104*	60	9.4	Second grade.
Gen. 4½s, 7.1.35	55	12	1.3	1.2	105	50	...	Junior to issue above and prior liens thereto. Maturity may prove embarrassing.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	5.0	4.4	105*	108	4.0	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	5.0	4.4	N C	116	3.5	Assumed by New York Edison. Gilt edged.
do P. M. 4s, 1949	123	21	5.0	4.4	N C	106	3.5	
Ohio Edison Co.								
1st & Cons. 5s, 1960	68	27	2.2	1.9	105*	95	5.3	Medium grade bond.
Northern Ohio Pwr. & Lt. Gen. & Ref. 5½s, 1951	68	18	2.2	1.9	105*	100	5.5	Ohio Edison assumes. Medium grade.
Penn-Ohio Pr. & Lt. 1st & Ref. 5½s, '54	68	19	2.2	1.9	104*	103	5.3	Also assumed by Ohio Edison. About same grade as issues above.
Union Electric Light & Power (Mo.)								
Gen. (now 1st) 5s, 1957	93	64	2.1	1.8	104½*	106	4.6	Better grade investment.
Miss. River Power 1st 5s, 1951	20	17	2.5	2.1	105	107	4.4	Strong bond.
Un. El. Lt. & Pr. of Ill. 1st 5½s, 1954	8	8	5.9	6.2	103*	107	4.9	Good, sound issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
Aluminum Co. of America Deb. 5s, 1952	35	35	....	....	105*	103	4.8	Real caliber difficult to ascertain, but probably good grade.
★American Rolling Mill Deb. 5s, 1948	40	37	def	.7	103¼*	88	6.3	Large recent maturity successfully met. Business much better. Medium grade.
Goodrich (B. F.)								
1st 6½s, 1947	38	16	def	1.0	107	105	5.9	Fairly sound issue.
Conv. Deb. 6s, 1945	38	22	def	1.0	105½*	86	7.9	Junior to issue above.
National Dairy Products Deb. 5¼s, 1948	70	70	3.9	2.7	103¼*	97	5.6	Outlook appears somewhat improved. Medium grade.
Phillips Petroleum Deb. 5¼s, 6.1.39	27	27	1.3	1.7	101*	100	5.3	Company's financial position much improved. Sound bond.
★Remington-Rand Deb. "A" 5½s, 1947	18	18	def c	....	104*	90	6.7	cYear to 3.31. Company strong financially and doing better.
Standard Oil Co. (N. J.) Deb. 5s, 1946	124	90	2.6	6.0	102*	106	4.3	An investment of the highest caliber.
Texas Corp. Deb. 5s, 1944	98	90	.6	....	101½*	103	4.6	Business improved. Now better grade.
Tobacco Products (N. J.) Coll. Tr. Deb. 6½s, 2022	35	35	....	....	100	106	6.0	Secured pledge lease agreement with Am. Tobacco. Appears sound issue.
Western Electric Deb. 5s, 1944	35	35	def	def	105*	103	4.6	Despite recent poor earning power, company is still strong and the bond a good one.
Wheeling Steel 1st & Ref. (now 1st) "B" 4½s, 1953	26	26	def	.4	102*	84	5.9	Position improved. Medium grade.
Youngstown Sheet & Tube 1st "A" 5s, 1978	90	90	def	def	105*	83	6.1	Further recovery expected for this year. Medium grade.

Short-Term Issues

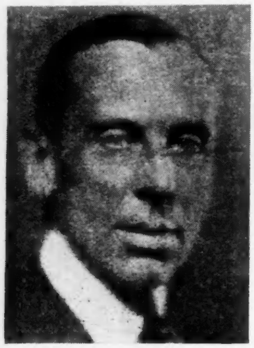
Company	Due Date	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
★★Atlantic Refining Deb. 5s	7.1.37	14	5.9	10.1	N C	107	2.7	Better grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	2.6	2.1	105	...	...	High grade bond.
Chicago Gas Light & Coke 1st 5s	7.1.37	10	1.9	....	N C	106	2.9	Better grade investment.
Gulf Oil Deb. 5s	12.1.37	28	1.4	def	103½	105	3.5	Better grade issue.
Humble Oil & Refining Deb. 5s	4.1.37	19	9.1	18.2	102	104	3.6	Normally a very wide margin earned over Interest requirements. High grade.
Midvale Steel & Ordnance Conv. 5s	3.1.36	31	def h	def h	105	102	3.9	hEarnings Bethlehem Steel. Better grade.
★★New York Telephone 1st & Gen. 4½s	11.1.39	61	3.4	4.6	110	103	2.9	Gild-edged.
Pacific Tel. & Tel. 1st & Coll. 5s	1.2.37	26	4.1	3.8	110	107	2.3	Of the highest grade.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences where some slight risk may be taken in order to obtain a higher return.

Big Three in Motordom Contend for Sales Leadership

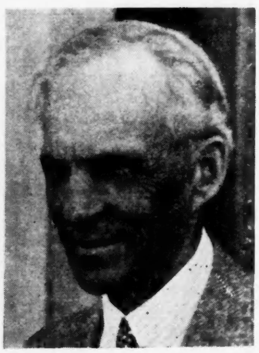
Recent Price Slashes Evidence Latest Stage

By J. C. Clifford



Alfred P. Sloan, Jr.

THE battle is now on with a vengeance. Chevrolet fired the first shot of this particular offensive early this month by cutting prices between $25 and $50 on its various models. Plymouth quickly followed with reductions as high as $45 and, now Ford just the other day joined the procession by cutting the price of his product between $10 and $20. While this was a smaller reduction than that made by the others, it must be remembered that Ford refused to raise prices with the former last April. Also, the new Terraplane with an f.o.b. list as low as $565 and Nash's Lafayette at $595 are deserving of honorable mention if only for the reason that they have had the temerity to tackle giants at their own game.



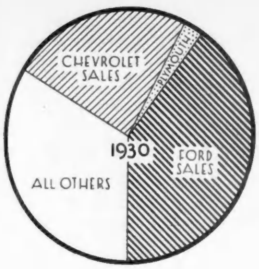
Henry Ford

A few years ago, manufacturers of automobiles concentrated upon advertising as their most potent weapon. Safety, speed, beauty, economy, acceleration, and gadgets all have been stressed at one time or another by every company. There was a period when claims closely approached the ridiculous. For example, the manufacturer of a "six" once did his best to indicate that this was the only kind of engine that would run at all, just because his most important competitors made either "fours" or "eights." Yet, while advertising, both good and indifferent, undoubtedly will continue to be used, it may well play a much less important part in the offensive than formerly. The industry, of course, has done a great deal to avoid direct price-cutting. "Economy" models have been introduced on a wide scale. Today, there are the Standard and Master Chevrolets, the Standard Plymouth, the Plymouth Six and the De Luxe Plymouth, to say nothing of the Terraplanes, Challenger, Special and Major. Apparently, however, this does not go far enough and, if the recent price cuts are the initiation of a new policy, some one is going to get hurt before pre-eminence in the low-priced field is definitely settled. Indeed, looking at the price cuts that have been made also on the Pontiac, Oldsmobile, Dodge and others, it may be that settling pre-eminence in the low price-field will not be the only battle resulting in casualties for the manufacturer of automobiles.

This year, it was Ford that got away to a flying start. In past years frequently solely because of his slowness in getting into production he has lost substantial ground to his competitors. In the four years between 1930 and 1933, with Chevrolet climbing steadily from 23½% of the total market to nearly 32% and with Plymouth soaring from a negligible 2½% to almost 17%, Ford's proportion of the domestic business has fallen from more than 40% to less than 21%. But he was away with the gun in 1934. While others were involved in strikes and general production difficulties, Ford, by the expedient of offering an improved 1933 model, with more speed, style and flexibility, had the market to himself during the early part of the year. New car registrations tell the story. In January, there were 25,828 Fords registered, compared with only 7,223 Chevrolets and 9,679 Plymouths. Registrations also show how, when the others at last got going, they began to regain lost ground. While Ford's registrations for February were only about 3,000 better than January, Chevrolet jumped to 24,851 and Plymouth to 16,684. In the next two months Chevrolet took the lead with about 114,000 cars registered, compared with some 108,000 for Ford and 65,000 for Plymouth. Will the recent price-cuts initiated by Chevrolet, Plymouth and Ford enable them to gain still more ground at the expense of "all others"? Perhaps, but let us first examine in greater detail the actual price position of the three contenders themselves.

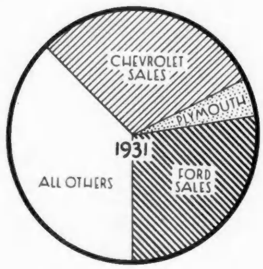
Prices on the Chevrolet "Master" standard coach, sedan and coupe are now about $60/$70 over Ford but because of the latter's generally higher delivery charges the actual difference to the customer is not as wide as this. Plymouth's latest price reduction just about preserved the *status quo* with Chevrolet and the former's 114-inch wheelbase models are still $20 or $30 higher than the 112-inch wheelbase Chevrolet. Of course, the smaller Chevrolets and Plymouths were lower in price than Ford even before the recent price reductions, so

Walter P. Chrysler

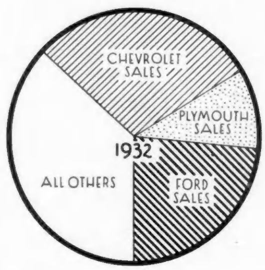


that the latter's modest reduction hardly achieves even the "old parity." The smaller Chevrolets and Plymouths, however, are less competitive with the Ford than the larger models. As between the smaller Chevrolets and the smaller Plymouths, the Chevrolet generally has a "price edge."

Although we are concerned here primarily with the low-priced leaders, it might be noted in passing that the latest reduction on the Pontiac carries prices for this car somewhat below the comparable standard Dodge. However, a new and lower-priced Dodge is still a few dollars under Pontiac. Because the makers of these are also those envolved in the low-priced competitive battle, the price-cutting tactics employed by Pontiac and Dodge are perhaps a further indication that "price" is to be the automobile manufacturers' principal weapon for some time to come. Incidentally, Dodge ran 'way behind Pontiac in 1932, pulled abreast in 1933 and, for the first four months of 1934 has run 35% ahead.



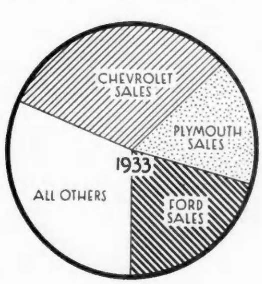
One effect of this price-cutting is, of course, obvious—the public will obtain still more value for its automobile dollars. For years, it apparently was the manufacturers' policy to soft-peddle "price" and put all emphasis on building a bigger and better car for about what the previous year's model cost. Now it seems that they have gone just about as far as they can in this direction. Today's low-priced car is a real automobile in every way—comfortable, flexible, economical, probably too fast, but altogether reliable. Really important mechanical improvements recognized as such by the riding public, automobile advertising to the contrary, are coming much more slowly than they once did and, while unfortunate in some respects, the swing to price-emphasis appears a logical development.



Among the unfortunate aspects is the adverse effect that this will have upon the earnings of automobile manufacturers. The latest price reductions come directly out of earnings, for nothing has developed in wages or raw materials to take the sting out of them. Indeed, costs are up and may go still higher in the not distant future. It may be supposed that increased efficiency in production methods are continually on the side of the manufacturer, but here the effect inevitably must be rather slow and could in no way suddenly offset such price reductions as have been made. Nor is there the prospect that the price-cuts will so stimulate purchases of automobiles as to offset the adverse effects on earnings. There was a time, of course, when this might have happened, but today when there are some 24,000,000 registered motor vehicles it seems quite clear that almost everyone in a position to own a car has one and that a $30 price reduction is not going to add any large number of these. At the best it will merely induce people to turn in their cars somewhat faster than they would have done otherwise.

It is not easy to arrive at an accurate estimate of what the latest price reductions are likely to mean to the companies involved. One can, however, obtain some idea of their significance by applying them to the showing for the first quarter. In the first three months of this year Chevrolet registered in the United States 82,870 cars. The price cuts probably will average $35 a unit, so that had they been in effect during the first quarter and making allowance for cars sold abroad, General Motors' income would have been between three and four million dollars less, or about 55 cents a common share, against the 63 cents actually reported. Employing the same method in the case of Plymouth, the price reductions here, had they been in effect during the first quarter might well have slashed in half Chrysler's reported earnings of 76 cents a share. The per-share result in the case of Chrysler is much accentuated because there are only about a tenth as many shares of this company outstanding as General Motors. While this is admittedly a rough and ready calculation and has not taken into account a number of factors that might have affected the result, including on the adverse side the price reductions that have been made in other cars that are manufactured by the same companies, it does serve to show that unless *something* can be found to offset the new policy it is not a happy one for stockholders to contemplate.

There is, of course, less direct investor interest in what is happening to Ford financially as a result of the price-cutting war, because of the company's family ownership. It is to be doubted, however, whether Ford willingly would cause serious trouble. The company the other day made its compulsory annual report for 1933 to the Massachusetts corporate authority and showed a reduction in profit and loss surplus of nearly $4,000,000. Because no account is taken of dividends, this can hardly be taken as necessarily representing the earnings for the period. These figures, however, are the best available and they show Ford to have lost money in every year since 1927 with the exception of two, 1929 and 1930. The indicated total loss for these years is around $247,000,000 while, for the two years in which money was made, the indicated profit totalled $126,000,000. While Ford is still immensely strong financially and in a position to fight with the best, he nevertheless can hardly want a more intense price war that would result in his showing deficits four years in succession.



As a matter of fact, this is what makes gauging the outcome of the battle for the low-priced field an almost impossible task; all the contenders seem financially impregnable. If the worst came to the worst, each of them could stay in business losing money almost indefinitely and still the problem would be no nearer a solution. It probably would be better for them all in the long run if they went back to waging their fight through advertising and agree to live, as the big cigarette companies do, in a state of armed neutrality. But to this Chrysler would hardly agree. His Plymouth has been going ahead by leaps and bounds—2½% of the total registration in 1930, nearly 5% in 1931, more than 10% in 1932, almost 17% last year, and still further improvement, albeit slight, so far this year. Nor

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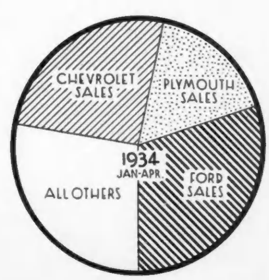

Crop Outlook and Railroad Earnings

How the Drought and Varying Condition of Crops Favorably Affect Some Roads and Handicap Others

By Pierce H. Fulton

WHEAT rides, corn walks. This terse and rather blind saying was in common use in railroad traffic circles twenty-five to thirty years ago. More recently it has not been heard so often.

Roughly translated, it meant that wheat was carried as such, and in flour and by-products, by the railroads, but that corn was fed to the cattle and that they were largely driven to market.

As a matter of fact, the saying was not altogether accurate at the time that it was most used. Corn was fed to hogs also, and in those days they were carried to market mostly by the railroads. By no means all the cattle "walked," for they found their way to market, in large numbers, over the railroads, too.

Drought Damage Large

In the past ten to fifteen years, conditions with respect to the transportation of these classes of traffic have changed radically and for the worse, for the railroads. Wheat, for shorter distances, at least, is hauled in substantial quantities by the trucks. Corn is still fed to cattle and hogs, but they, likewise, find their way to market in distressingly large numbers, from the railroad point of view, in trucks.

This year, in addition to a big loss of highly remunerative traffic, because of these changes, the railroads are now confronted with the effects of the drought that has prevailed throughout the West for weeks, months in some cases, and that has caused millions of dollars of damage to the growing crops.

Just what the condition of the crops is, to what extent some of them will be materially helped by recent good and rather general rains in the drought areas, no one can tell accurately as yet. The reports, government and private, have been quite conflicting. Those of the former have been rather more discouraging than the advices of a private character. The Department of Agriculture issued a report on June 7 in which it was asserted that the total production of wheat, seed grains and hay "will be reduced to below the quantities harvested in any of the last 25 years." President Roosevelt, at about the same time, said that the drought had "assumed proportions of a major disaster."

These, in most respects, are alarming statements. If they prove to be true, the wheat tonnage of the railroads will be greatly reduced, there will be a shortage of seed grains, with prices high, for the coming fall, and next year, the quantity of hay handled by the railroads will be much less and there will be a scarcity of animals of all kinds to which hay and grain are fed. Merchandise freight will fall off sharply.

As already suggested, the crop reports of the railroads, for their own use primarily, and not for public consumption, have been more favorable than those of the Government. Another general observation that should be made is that the drought has been more general and severe in the Northwest than in the Southwest, and that in the latter area the damage has been spotty rather than general. It is to this spotty condition and its effect upon railroad earnings and probable prices for railroad stocks that special attention will be given in this article. Some railroads will be benefited, others will suffer. A special effort should be made to select the former.

How Much Wheat?

In this connection it will be well to revert for a moment to the saying with which we began. In a normal crop year, within the past ten or fifteen years, it has been vital for railroad security holders to try to find out in advance what part of the wheat crop was likely to be carried that year by the railroads and how much by the trucks. In the present abnormal year it is even more important to learn, first of all, how much wheat there is likely to be to "ride" to market, and then the kind of vehicle on which the trip will be made.

The crops are highly important to the railroads because of the direct traffic that they furnish and also because of the indirect traffic, notably the merchandise bought with the money received for them. Good crops mean good business and poor crops correspondingly bad business, first of all for the farmers, next for the railroads, and then for practically every line of business.

Only an approxima-

tions can be made at this time, except possibly with respect to winter wheat in the extreme Southwest, where harvesting and threshing have been underway for a little more than two weeks. To what extent, however, the average yield of winter wheat per acre in that section and the quality have been adversely affected by the drought, are still problematical, and will be until harvesting and threshing are completed and the data on those points are available.

More Than Last Year

On the basis of the most recent trustworthy information obtainable, it seems perfectly safe to say that in the Southwest, where weather conditions on the whole, have been the most favorable in the entire drought-stricken area, there will be considerably less wheat to "ride to market" than indicated earlier this season, and less than in a normal year, but materially more than last year. This idea is supported by the government report as of June 1, which indicated a total winter wheat crop of 400,000 bushels against 461,000,000 a month before and 351,000,000 bushels actually harvested in 1933.

S. T. Bledsoe, chairman and president of the Atchison, told the writer recently, that his company estimated 85,000,000 bushels as this year's wheat crop in Kansas as against 57,000,000 last year, an increase of 28,000,000 bushels. This estimate, however, is 40,000,000 bushels below that of the Missouri-Kansas-Texas Railroad management, as of May 1. If both of these estimates are measurably accurate, there was a deterioration of 40,000,000 bushels in the Kansas wheat crop during the month of May.

As a further illustration of the betterment in the indicated yield of that grain, over last year, in some sections of the Southwest, it may be noted that in a particularly rich wheat-producing part of M.K.T. territory the estimated crop for this year is placed at 2,300 cars against only about 100 last year and a normal average of 3,500. Grain loadings on the system as a whole are expected to be considerably larger than last year, although below the average.

Wheat is an important crop to the Rock Island. It is particularly important this year because of the urge from several sources for an early reorganization of railroads in receivership. In 1933 the Rock Island handled 1,175,797 tons of wheat or 6.37% of its total freight traffic. Corn came next with 5.51% and wheat flour third with 4.07%. Agricultural products as a whole supplied 39.24%. J. E. Gorman, a trustee for that property, now in bankruptcy, places the Kansas wheat crop at 88,000,000 bushels, or 3,000,000 above the Atchison estimate.

J. M. Kurn, a trustee for the St. Louis-San Francisco Railway, looks for a wheat crop of 150,000,000 bushels in the territory served by the lines of that system, against only 107,000,000 bushels last year. This large indicated increase is of first importance to that company also, as its trustees are being urged by the court to undertake an early reorganization.

Hale Holden, chairman of the Southern Pacific, says that the major damage to crops in Texas has been in territory to the north of that served by that system. Both Southern Pacific and Atchison will have compensating traffic from California on which there is a particularly long haul, at high rates, for the losses that they may sustain in the Southwest. Southern Pacific's traffic and earnings have shown steady and pronounced increases for several months.

Ralph Budd, president of the Burlington, while declining to make a definite forecast of this year's crops, must expect fairly good returns, or he would not have consented to the declaration recently of a dividend of $2 a share for the first half of this year, when the earnings for that period are not likely to exceed $1 a share. The effect upon earnings of the damage to crops in Burlington territory, is of special importance to Northern Pacific and Great Northern stockholders, as those two companies own jointly about 98% of Burlington stock.

Union Pacific Lines cover a large part, with the exception of the extreme Northwest and Southwest, of the great agricultural areas of the West. That system, therefore, is in a position to benefit from favorable weather and crop conditions and lose from those to the contrary. Carl R. Gray, president, is unwilling to make definite predictions. His ultra-conservatism with respect to all features of railroad management are well known.

Not All Adverse in Northwest

In the Northwest, where the crop damage admittedly has been the greatest, winter wheat, hay and pastures have suffered most of all. Spring wheat, corn, potatoes and other late planted spring crops have been benefited by rains since about June 5, and, according to the best information, may result in an average yield of from 50 to 75% of normal, if there is sufficient rainfall from now until harvest.

The principal railroads in the Northwest are Northern Pacific, Great Northern, St. Paul, Chicago & North Western. The crop damage in Northern Pacific territory, east of the Rocky Mountains, has been material, even according to the most conservative estimates. Charles Donnelly, president, told the writer, when in New York recently, that the indications in Northern Pacific territory west of the Rocky Mountains, were for "the largest wheat crop in the memory of man." He pointed out that ordinarily the company has only a comparatively short haul on the wheat raised in that area, namely to local mills and to coast points for export, but that this year, because of the drought in the territory east of the Rocky Mountains served by Northern

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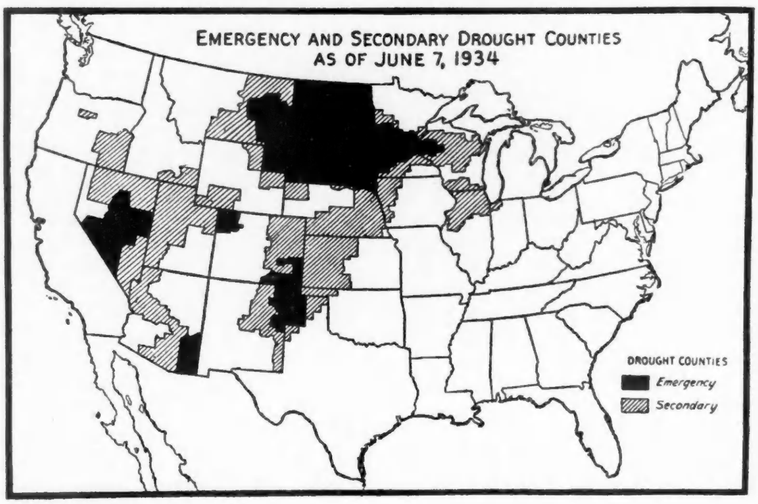


U. S. Dept. of Agriculture

Whither the Star of Bethlehem Steel?

The Long and Short Term Outlook for the Country's Second Largest Steel Company

By Garnault Agassiz

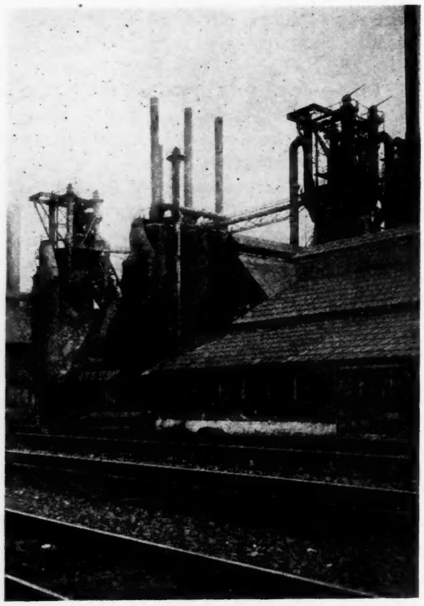
ON Christmas Eve, 1641, a band of expatriated Moravians planted the cross of their faith on the banks of the Lehigh, determined to establish in this then virgin region a community dedicated to peace. So they named it Bethlehem. Strange anomaly that the fame of this Pennsylvania namesake of the natal village of the Prince of Peace should have resounded around the earth to the reverberating echoes of its mighty instruments of war.

For to the outside world Bethlehem is the American Essen, and its great steel plant the New-World Krupps. And it has earned its reputation, for it has been a dominant factor in the production of armaments in this country for nearly half a century.

As the Bethlehem Iron Co., it established, in 1887, the pioneer armor plate mill of America. It commenced to produce ordnance in that year also, and when, in 1890, through the death of John Ericsson, inventor of the Monitor, the DeLamater Iron Works were forced to close it became the logical successor to that famous plant in the production of armaments.

In the Spanish-American War, and again during the World War, Bethlehem Steel became exclusively an armament plant, producing guns, shells, torpedoes, high explosives, and ammunition, and turning out battleships, cruisers, submarines, and merchant vessels.

But with the cessation of hostilities this business ceased. Since the Armistice, Bethlehem has slowly but surely been converted into a commercial steel concern. Its huge armor plate plant has been practically idle for years, and it is not beyond the region of the possible that it may never be operated again. The corporation has $35,000,000 in naval construction contracts at present, spread over the next two years, but these represent a relatively insignificant proportion of the firm's aggregate operations. Certainly, Bethlehem can not anticipate a very large return on its investments in armaments plants in the immediate future, except, of course, through an extension of the company's policy of converting such plants to peace-time needs.



Group of Blast Furnaces

Slow Growth

Bethlehem Steel has a long and a colorful history. It represents no mushroom growth, but the cumulative development of nearly a century of effort. Founded in the early 1840's as the Bethlehem Rolling Mills & Iron Co., following the discovery of workable deposits of iron ore in the Saucon Valley, near Bethlehem, its name was changed in 1861 to the Bethlehem Iron Co.

Its progress for many years was slow, its output being inconsequential compared with that of many plants in other sections of the country, and it was not until the early 70's, when John Fritz, a father of the American steel industry, introduced the Bessemer process and turned the plant into a steel mill, that it began to evince appreciable growth.

In 1904, Charles M. Schwab organized the Bethlehem Steel Co. under the laws of New Jersey, with a nominal capital of $500,000 and, through a stock issue of $30,000,000 formed the present Bethlehem Steel Corp., acquiring all of the properties of the defunct United States Shipbuilding Co. and its numerous subsidiaries.

It was the dream of Mr. Schwab to make Bethlehem express concretely his own ideas of a complete steel plant—a plant able to produce anything from a bolt to a battleship. It was a long and an uphill task, and one that would have daunted any man less courageous or less confident than Charles M. Schwab.

It was years before the company could compete on even terms with the more highly organized and efficient steel companies. It was steadily branching out through acquisition and extension, however, and by 1914 had become probably the most diversified steel company in the country, and internationally famous. It had built, for example, the largest forging presses in existence, and it was with these huge presses that much of the machinery for great power plants that made the electrical industry possible was forged. It had originated the famous Bethlehem beam; had been a pioneer in the utilization of waste gases in the generation of power; had been a chief factor in the development of high-speed steels; had become dominant in the armor plate industry, and had constructed

some of the largest gas engines in existence, including the first in the world to generate electric power direct from natural gas. It was producing rails, structural frames, tools and tool steels; forgings; castings of all descriptions; hydraulic and special machinery; armor plate and vaults, and a variety of other steel products.

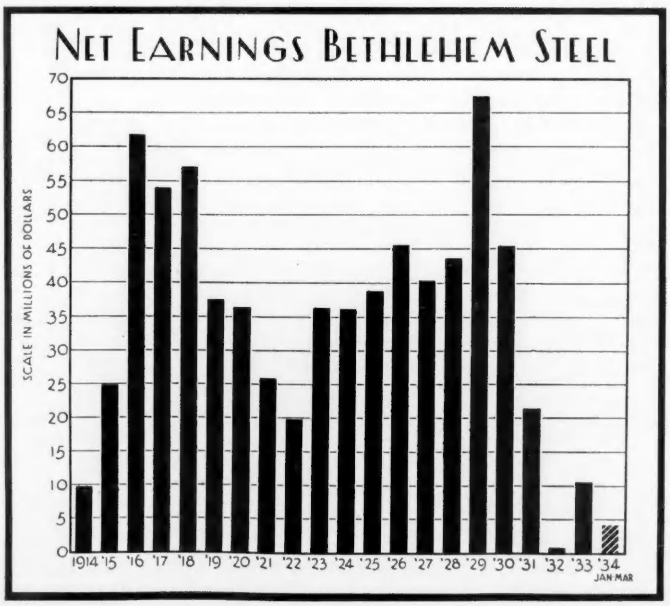
But from the financial standpoint the corporation was making indefinite progress. Rumored to be on the verge of bankruptcy, its net earnings were negligible. It had paid no dividends at all on its common stock, and not once had it met the full dividend requirements of its 7% non-cumulative preferred. And then the War broke out.

It was Bethlehem's golden opportunity, and the company was quick to grasp it. Never before, perhaps, was a plant expanded so enormously and so swiftly to meet the exigency of an hour, as Bethlehem Steel in this four-year crisis, first to meet the needs of the Allies and afterward the even greater demands of this country.

And Bethlehem prospered. It was, in fact, the most satisfactory period from the stockholders' point of view in the corporation's history, for while in 1919 gross sales amounted to $342,000,000, an all time record, and net income to $42,242,000, only a million less than the record year of 1916, only $2.50 was disbursed on its 1,000,000 shares of no par value common stock, which had high and low values during the year of 140¾ and 78¼, respectively.

Contrast this with the war years, 1916 to 1919, inclusive, when $64.25 were paid out on its $15,000,000 $100 par value common, in addition to a 200% dividend in 1917 Class B. common, issued that year, and $29 on its $45,000,000 $100 par value B. stock. From a low of 46¼ in 1915, the stock soared to 600 in the same year, reaching a high of 700 in 1917, when it was split up.

The War ended almost as abruptly as it had begun, and, with the signing of the Armistice, Bethlehem was confronted with a problem of major proportions. Its expansion during the War years had been phenomenal. Millions upon millions had been expended in plant extension. The problem to be faced was: should these additions be abandoned, or should they be converted to peace-time effort? The latter course was decided upon, and since then the energies of the Corporation have been almost wholly concerned in carrying this decision into practical effect, practically all of the vast sums put back into the plants, approximating, it is estimated, nearly a hundred million dollars, having had this purpose in view.



Plant Expansion

In the meantime the steel making facilities of Bethlehem have been immeasurably increased, both through additions to existing plants and the acquisition of other steel companies, the corporation having taken over Lackawanna, Cambria, and Midvale, in 1922 and 1923, and Southern California in 1930, the latter purchase giving it initial representation on the West Coast. In 1932 the corporation's sheet-steel was increased 180,000 tons through the acquisition of Seneca Iron & Steel. Various other plant extensions and improvements have been consumated in the period under review, notably at Sparrow's Point, whose steel and tin plate plants and great wire mill are among the largest and most modern extant. Since 1922, the corporation has invested approximately $300,000,000 in plant acquisition and betterments, and while property purchases have been financed through the sale of securities, almost all plant additions and improvements have been paid for out of current earnings. Because of the depression, it has not been possible to translate the effect of these large expenditures into dollar terms, but they have great potentialities if the revival of former demand for steel products occurs before present equipment is rendered obsolete. Bethlehem will be most advantageously situated.

The properties of Bethlehem Steel Corp., as of December 31, 1933, after deductions for depletion and the setting aside of reserves for depreciation and amortization totaling $246,068,065, had a net book value of $501,761,669. This amount includes properties owned and under lease.

Bethlehem has become second only to United States Steel among world producers, its capacity approximating 9,250,000 tons, or about one-third of the total capacity of U. S. Steel and 16% of that of the country as a whole.

In its many plants located in Pennsylvania, New Jersey, Maryland, Delaware, New York, as well as in Chicago and on the Pacific Coast, Bethlehem employed an average of 33,000 men last year which compares with 64,000 in 1929 and 93,000 in the war-time peak.

Bethlehem Steel owns iron mines in the Lake Superior region, in Chile, Cuba, and Mexico, enabling it to convey ore in its own vessels to the docks of its Sparrow's Point and Lakawanna plants, the last-mentioned having water transportation for its finished products also. It has a deposit of considerable commercial importance also in the vicinity of Cornwall, Pa. It is well provided from the fuel standpoint, having a number of developed bituminous coal properties in Pennsylvania and West Virginia, with total reserves estimated at more than 600,000,000 tons, their aggregate annual capacity at present being about 10,000,000 tons. Its developed limestone quarries in Pennsylvania and New York states are estimated to contain approximately 125,000,000 tons.

The corporation owns and operates seven belt-line railroads, whose tracks afford direct connection between its chief plants and the lines of the common carriers. In addition to 200 miles of railroad within the plants themselves it owns 150 locomotives and about 200 freight cars.

Bethlehem is the largest closely

integrated steel company in the country, and produces almost everything in steel. It is essentially, however, a producer of heavy steels; 56% of its total finishing capacity being represented in standard shapes, rails, and plates, compared with 39% for Inland, 37% for United States, and 27% for Jones and Laughlin.

Generally speaking, Bethlehem Steel has weathered the depression in sound financial condition, and in spite of total deficits of $45,321,000 in its last four calendar years. From a surplus of $19,642,980 in 1929, the company had deficits of $2,356,594 in 1930, $13,179,255 in 1931, $21,049,431 in 1932, and $8,735,723 in 1933. At the close of 1933 it had a net working capital of $95,672,000, only about $25,000,000 less than the pre-depression normal. Its financial condition is extremely good, current assets at the close of the last calendar year having amounted to $114,600,000. Of this cash and equivalent amounted to $46,888,841, or about 2½ times its current liabilities of $18,927,485.

The chief minus factor in Bethlehem's immediate outlook is its large dependence on volume users, particularly the structural industry and the railroads. The latter normally take 15% of Bethlehem's output, while structural shapes alone constitute more than 30% of the company's business.

Many of the country's greatest bridges have also been fabricated by Bethlehem, including the George Washington, Detroit River, and Golden Gate structures; and the Bethlehem beam has made possible a large percentage of the country's skyscrapers and other great structures. Bethlehem controlled this famous beam exclusively until 1929, when others commenced to manufacture it, whether or not by license is not known, for the company is strangely silent about it.

Through its acquisition, in 1930, of the McClintic - Marshall Corp. with 13 plants and an annual fabricating capacity of 920,000 tons, the company greatly improved its strategical position in the structural field.

But at present the structual steel business is in a deplorable condition. Building, in 1933 accounted for only 11.5% of the country's steel production, compared with a ten-year average of more than 17%. There is no sign of recovery this year. The one bright spot on the horizon is the housing movement, which is gaining momentum. Its influence on the building industry, as it may affect structural steel consumption, however, is necessarily hypothetical. It may be negligible, but, on the other hand, it may be the essential factor in its recovery. Bethlehem has high hopes in this regard, and has placed on the market a light section for use in general construction.

Railroad Demand

Nor is the railroad so bright. The demands of the public carriers for steel last year fell to approximately 1,100,000 tons, compared with a ten-year average of 4,000,000 tons. The railroads in 1933 took only 8% of the country's total steel tonnage, compared with a ten-year average of 22%. The production of rails last year accounted for 13.5% of Bethlehem's total finishing capacity, compared with 12.3% for Inland, and 11% for the United States Steel Corp.

One of the most unfavorable factors in the present picture of Bethlehem Steel is its inadequate representation in the important industrial Mid-West, probably the motive behind its attempt to acquire Youngstown Sheet & Tube. Its nearest plant to this rich region is the Lackawanna, at Buffalo, which, although enjoying the advantage of cheap water transportation for its raw and finished products, certainly has not the enviable situation of a Youngstown or an Inland. Bethlehem's mills are practically all in the East, its Pacific Coast units accounting for only 3% of aggregate steel production. It is essentially a producer for Eastern markets, and under existing conditions will have to confine its activities largely to this territory.

Of course, general recovery in general industrial conditions of the East will find prompt reflection in Bethlehem's earnings. The company, as has been stated, depends heavily on volume, and therefore the transitions from losses to profits, or vice versa, are usually sudden. This is borne out by the statistics for 1933, which show that while in the first quarter there was a net loss of $5,769,451, there was a profit of $629,671 for the last three-month period. The potentialities in this direction may be visualized from the fact that Bethlehem's production of rolled steel in 1933 was 57.5% below the 1922-1930 average, or 1,830,000 tons against 4,300,000 tons, and its sales 55% below the average for the same period, having aggregated $120,000,000 in 1933, compared with a nine-year average of $266,000,000. At the current 55% rate of production for the steel industry of the country, production is still 27% lower than for the same nine-year average.

The upward trend that has been evident in business this year, notably in the automobile industry, has already been of benefit to Bethlehem, as is shown by the announcement that current operations are now running at 54%. The automobile manufacturers are extensive customers of Bethlehem, which is the largest maker in the world of bolts and nuts, has large sheet steel and plate capacity, and is a recognized leader in the production of alloy steels. The oil industry is another large user of the company's products, especially in the consumption of non-corrosive, high temperature, high pressure, and acid resisting steels.

Bethlehem can not expect a very great return in the immediate future from its large investments in armament plants and shipyards. Armament at present are almost a dead issue with Bethlehem, and although the President's pronouncement in favor of direct subsidies for American shipping will doubtless lead to additional construction, especially for passenger vessels, it is unreasonable to expect

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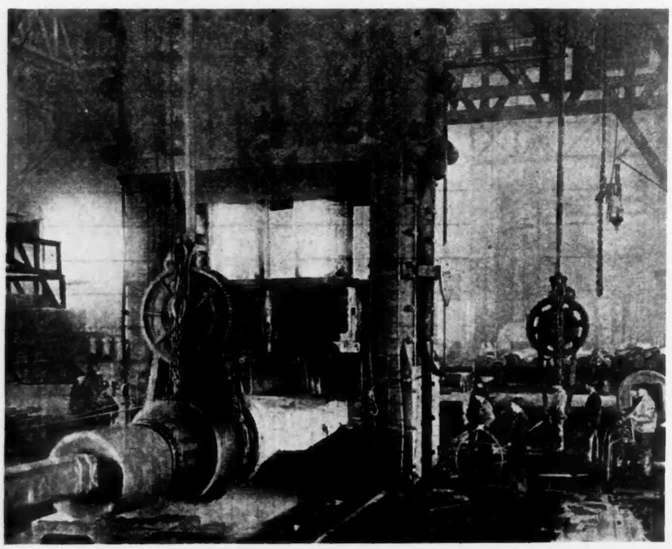


Forging Heavy Steel Plate

Present Return—Future Promise

Five Dividend-Paying Stocks Offering a Bird in the Hand and a Better Than Average Chance of More from the Bush

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Briggs Manufacturing Co.

Earnings Per Share			
1932	1933	Recent Price	Div.
def. $0.92	$0.82	17	$1.00

AIDED, apparently, by two important factors of favorable implication, Briggs Manufacturing Co. showed a profit in the first quarter of the current year which practically equalled that for the entire 1933 year—which itself produced a decisive recovery in earnings. Briggs is one of the leading manufacturers of automobile bodies and as such has shared more or less proportionately in the fortunes of the automobile industry. At the peak of the company's prosperity, in 1928, earnings were equivalent to $2.15 on its outstanding shares. Yet this year the company, with the automobile industry still some distance from equalling 1928, stands an excellent chance of earning around $2 a share for the stock.

It is doubtless a well known fact that since the spirited emergence of the automobile industry from depression, the public has emphatically expressed itself largely in favor of the low-price cars, with Chevrolet, Plymouth and Ford far in the van in the bid for leadership. So strong has been the appeal of these three manufacturers, not only from the standpoint of price, but appearance and mechanical performance as well, that new car buyers were attracted even from the ranks of those owning, and able to afford, cars costing considerably more. The competitive struggle has been, and continues, unusually vigorous. To Briggs Manufacturing all of which means simply this—increased sales. For the company has contracts to supply bodies to both Ford and Chrysler, which manufactures Plymouth cars. The Ford contract is particularly important for the evidence at hand suggests that 1934 may quite conceivably prove to be a "Ford year." In the first four months of the year, Ford has substantially enlarged its percentage of new car registrations over last year.

In addition to various types of automobile bodies, Briggs manufactures sheet metal stampings, gasoline tanks and various other items used in the manufacture of automobiles. As the automobile industry has become gradually concentrated in the hands of a few large manufacturers, there has been a tendency among accessory makers to broaden their activities to embrace other fields, seeking greater security through diversification. Briggs has widened its output to include such items as electric refrigerator cabinets, plumbing fixtures and outdoor furniture constructed of steel. Primarily, however, the company continues closely identified with the automobile industry, with no intention of abandoning this field—judging from its activity in pioneering new streamline bodies.

Applied to the 1,958,000 shares, which comprise the entire capitalization of the company, profits last year were equal to 82 cents a share, and in the first three months of the current year 80 cents a share was earned. Current assets at the end of 1933 amounted to slightly more than $17,000,000, while current liabilities were less than $3,000,000. Cash and marketable securities amounted to nearly $7,000,000.

Free of bank loans and funded debt, the company is in an excellent position to adjust dividends to a liberal portion of earnings. Hence, the rate of 25 cents quarterly not only seems well assured but a generous extra might be forthcoming later in the year. Although somewhat speculative in character, the shares, around 17, are reasonably priced, with the possibilities for price appreciation by no means far-fetched.

Cream of Wheat Corp.

Earnings Per Share			
1932	1933	Recent Price	Div.
$2.50	$2.15	33	$2.00

"CREAM OF WHEAT" has for many years been one of the most popular breakfast foods but it has been only since 1929 that the public has been able to acquire an equity in the Cream of Wheat Corp. Prior to that time the company had been a privately-owned business. Judged by present-day standards, Cream of Wheat Corp. is by no means a large organization—a single plant located at Minneapolis comprises entire manufacturing facilities and 600,000 shares of stock make up the capital structure. The company is compact rather than large. Doubtless this very fact has stood it in excellent stead during the trying conditions of the past three years. At any rate, the company is able to show a record of consistent earning power of which it, or any industrial organization for that matter, might well be proud.

Earnings on the stock for the past five years have averaged $2.72 annually and for the past three years the

average has been $2.44 per share. Profits last year were the lowest for this period, amounting to $2.15 a share as compared with $2.50 in 1932. In the current year it appears quite probable that the company will do at least as well as it did in 1932. In the first quarter, profits were equal to 61 cents per share, as against 52 cents in the same period of 1933.

The nature of the company's business is such that it is able to pay out a liberal portion of earnings in dividends. In 1931, for example, dividends to the equivalent of 92% of earnings were distributed, and in 1932 and 1933 the proportion of dividends was 90% and 93% of earnings, respectively. Several factors combine to permit a generous dividend policy. The company has only 20% of its capital invested in fixed assets; sales for the most part are made on a cash basis and receivables are small; and a rapid turnover obviates the necessity of carrying large inventories. In addition to regular dividends of $2 annually, extras of 25 cents a share were paid in each of the past two years, and in 1930 and 1931 extras of 50 cents a share were distributed.

The processing tax on wheat and increased wages have added to the company's operating costs, and will be only partially offset by the moderate advance in prices made last fall. It is not unlikely, however, that much of the slack will be taken up by increased sales. The company's product is handled by practically every grocery store and chain store organization in the United States and in many foreign countries as well. For many years "Cream of Wheat" has been extensively advertised and it has more than held its own against competition. It is possible to assume, therefore, that sales will respond to any general business improvement.

To a large degree the shares are of investment caliber. While recognizing that the continued success of the company is dependent upon a single product, the element of risk resulting from this condition is probably more apparent than real. Certainly. the company's past record offers a considerable measure of assurance and the yield of 6% should largely compensate for the theoretical risk. On the whole, the shares may be safely endorsed for income, with moderate possibilities for enhancement in value.

Chesapeake & Ohio

Earnings Per Share			
1932	1933	Recent Price	Div.
$3.05	$3.67	47	$2.80

THROUGHOUT the depression Chesapeake & Ohio paid the same rate of dividends placed into effect in October, 1930, and last October—three years later—dividends were raised from $2.50 to $2.80 annually, thereby establishing the road as the first to increase dividends and giving it exclusive claim to being the only major railroad which neither reduced nor omitted dividends during the years of depression. Chesapeake & Ohio has been favored by a combination of circumstances.

Primarily, of course, the road was fortunate in having a well balanced capital structure and a sound financial position with ample liquid resources. Moreover, there were no troublesome maturities. Maintaining a high standard of operating efficiency and with expenses well in hand, C. & O. has been able to maintain net income at a high level notwithstanding a proportionately greater decline in gross revenues. Nearly 90% of the road's traffic is made up of mine products, of which nearly 85% is bituminous coal, and in the transportation of the latter commodity it ranks second only to the Pennsylvania. With the demand for bituminous coal receding sharply with the decline in general business, the natural assumption would be that C. & O. would suffer to a corresponding degree. Here also, however, the road was favored by the fact that a substantial portion of the coal traffic originated on its lines came from non-union fields, which enjoyed an important advantage over the heavily unionized mines in the North. The road also benefited considerably from the emergency surcharges of $3 per car of bituminous coal which were in effect until September 30, last.

For the full 1933 year, total operating revenues registered a gain of slightly more than 7% over 1932 and net operating income totalled $36,967,128 as compared with $32,502,269 the previous year. After all charges, net applicable to the common stock was equal to $3.67 a share, comparing with $3.05 in 1932 and $3.49 in 1931. Despite the impressive record of earnings rolled up by C. & O., the company's stock has been consistently quoted at a lower ratio to earnings than the shares of many other leading carriers—many of which are earning little, if anything, on their stock. Doubtless this is accounted for by the fact that Chesapeake & Ohio is at the base of the Van Sweringen pyramid, which includes Chesapeake Corp. and Alleghany Corp. The latter is heavily dependent upon Chesapeake Corp. dividends and Chesapeake Corp., in turn, must rely largely upon Chesapeake & Ohio dividends. In view of the fact, however, that earnings of Chesapeake & Ohio have been adequate to provide a good margin of safety for dividends, there appears to be no actual basis for apprehension.

In the first eighteen weeks of the current year aggregate traffic, both freight and passenger, over the lines of C. & O. registered a gain of nearly 22% over the same period last year and, despite somewhat larger operating costs, net operating income of $9,275,124 was $2,602,323 higher than 1933. Net income totalled $7,047,609, comparing with about $4,500,000 a year earlier. While traffic and revenues will recede somewhat to correspond with the seasonal decline in industrial activity now in progress, there is little reason to expect that such recession will be excessive, and for the full current year aggregate earnings should again make a favorable comparison with the previous year. Obtainable to give a return of 6%, Chesapeake & Ohio common stock offers the interesting combination of a good yield and possibilities for both price appreciation and an increase in the current rate of dividends.

Vick Chemical Co.

WITH the segregation of the former Drug, Inc., into five independent companies last year, Vick Chemical regained its corporate identity and an opportunity to demonstrate its effectiveness as a separate organization. Judged by the company's initial showing it should be able to give a wholly satisfactory account of itself. This is not altogether surprising, for prior to the company's inclusion in Drug, Inc., in 1930, it had

had a long and successful record of operations. In the meantime, of course, competition has broadened considerably and within the recent past uncertainty has arisen as to the status of this and other similar companies in the event that the proposed legislation, involving stringent regulation of the drug industry, should be enacted at Washington. Such legislation, however, if not actually abandoned, has at least been deferred for the time being, but in any event it is to be doubted that Vick would be seriously handicapped should the measure become law. As the situation now stands, therefore, it is possible to judge the company solely on the basis of conventional factors.

The company's business has been founded upon a single product—Vick's VapoRub. Extensively advertised, the sales of this product have increased steadily. There is, however, an element of weakness in a company which is solely dependent upon a single product for it would be possible for any one of several contingencies to arise and seriously jeopardize earning power. The management has recognized this problem and in the company's report for 1933 it was stated that a plan was now being followed which involved a shifting of the old trade-mark to cover new products, thereby conserving the money spent in past years' advertising of the old mark. To date the new products thus introduced include nose and throat drops, cough drops and an antiseptic. Naturally the expenses incurred in the promotion of these new products have been heavy, with corresponding inroads into earnings. In the long run, however, they should not only pay their way but strengthen the company's position in the industry as well.

Earnings Per Share			
1932	1933	Recent Price	Div.
$3.75	$3.34	34	$2.00

Last year the company reported net profit of $2,339,296. Sales in 1933 were larger than for 1932 but net was reduced by the aforementioned expenses incidental to the introduction of new products. Net profit in 1932 totalled $2,625,761. Applied to the 700,280 shares of capital stock, the sole capital liability, earnings last year were equal to $3.34 a share, only moderately under the $3.75 earned on the stock in 1932. At the close of last year, current assets, including over $5,000,000 cash and marketable securities, amounted to $7,068,086 and current liabilities were less than $1,000,000.

In the initial quarter of 1934, the company reported an equivalent of $1.12 earned for the stock and, while the next two quarters will reflect the normal period of seasonal dullness in the company's business, results for the full year should be sufficient to cover both the regular $2 dividend and the quarterly extras of 10 cents a share by a satisfactory margin. At recently prevailing levels around 34, the shares yield 6% on the regular dividend and continued extras would bring the yield up to 7%. Although obviously an issue in which the speculative possibilities are limited, the stock is an attractive income-producing vehicle and on a yield basis could justify moderately higher quotations.

South Porto Rico Sugar Co.

WITH the recent passage of the Costigan-Jones Act, prospects for the sugar industry have taken on a much brighter hue. Under the terms of the bill, sugar cane and sugar beets become "basic commodities" and the Secretary of Agriculture is empowered to restrict the expansion of domestic sugar production and pay benefits to producers who participate. The Secretary is given the power to impose a processing tax and to allot quotas to all areas supplying the United States except domestic production areas. Import quotas have been fixed at an amount calculated to conform closely with normal demand and domestic refiners have announced their intention of passing the processing tax along to consumers, all of which presages higher and more stable sugar prices.

South Porto Rico Sugar in its capacity as a holding company controls a group of operating subsidiaries engaged in the production of sugar in Puerto Rico and Santo Domingo. Production from the latter country is shipped to Europe and Canada and that from Puerto Rico is shipped duty-free to the United States. The latter advantage has given the company a considerable margin over Cuban producers and has been an important factor in enabling it to show consistently a better record of earnings than that for the sugar industry as a whole. The industry in the past has been subject to frequent disturbances resulting from excessive production and demoralized prices, but South Porto Rico has shown profits in each year right through the depression.

Earnings Per Share			
1932	1933	Recent Price	Div.
$2.54	$2.22	35	$2.40

In a large measure, also, the company has been able to meet low sugar prices by the marked progress made toward lowering production costs. This has been accomplished not only through the medium of greater efficiency but through the cultivation of high-yield cane resistant to adverse climate and diseases. Still another factor has proven fortunate from the standpoint of common stockholders. That is the absence of any funded debt. Nearly all of the important companies, both foreign and domestic, identified with the sugar industry must support bonded indebtedness, more or less substantial in amount. South Porto Rico Sugar has only 50,000 shares of 8% preferred stock, $100 par, ranking ahead of the 745,734 shares of common stock outstanding.

After an interval of twenty-one months, the company resumed dividends on the common stock October, 1932, and a year later, the 40-cent quarterly rate was raised to 60 cents, which is the current payment. Late last year the company distributed some $4,500,000 in government securities to a new concern, Marancha Corp., the shares of which were subsequently distributed to stockholders of South Porto Rico Sugar. Even allowing for this large transfer of securities, financial position of South Porto Rico was wholly satisfactory at the close of the fiscal year, September 30, last, and working capital was adequate.

Last year earnings applicable to the common shares amounted to $2.22 a share—moderately lower than the $2.54 shown in the 1932 fiscal period. Earnings last year, however, did not reflect fully the higher sugar prices in the domestic market because the company's crop had been sold too early to benefit by this improvement. As to the current outlook, it is quite likely that higher prices will offset any reduction in the Puerto Rican quota and profits will give ample support to the $2.40 dividend. Recent quotations around 35 for the stock are a reasonable appraisal of earnings and net the purchaser an annual return close to 7%.

ARMOUR & CO.

Pros and Cons of Reorganization

Whereby Preferred Dividends Will Be Brought Nearer by a Remedial Bookkeeping Change

By NORMAN TRUMBULL CARRUTHERS

IT may seem curious—indeed perhaps a little ridiculous—that a few entries in a journal, completely unsubstantiated by any transfer of property or money, bid fair to give stockholders an income in the new future, whereas, without them, their prospect of every receiving anything is quite remote. Yet, such is the case in Armour's plan for a capital reorganization. Provided the stockholders vote for it at the special meeting July 6, some bookkeeper in the head office will wave a pen and, lo, next October, preferred stockholders of the Illinois company should begin to taste dividends for the first time in almost four years.

This unusual state of affairs arises from the fact that bookkeeping is far from an exact science, although legislators and others persist in behaving as if it were. Laws are passed and provisions made which say that this and that must not be done unless certain figures bear a certain relationship to other figures. Now, with the single, sole exception of cash, all figures on a company's books are merely representations; fifty millions in cash is fifty millions in cash, but some plant for which one happens to have paid fifty millions *is not the same thing as fifty million dollar bills.* Or, going a little further, a plant is a plant and there is nothing to prevent an owner calling it a dollar-plant and very little to prevent him calling it a billion-dollar-plant.

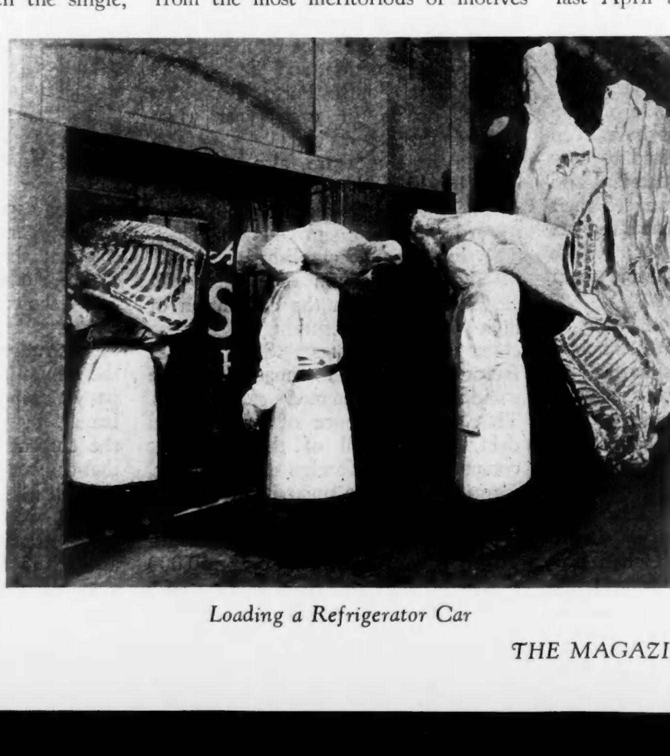
With this understood, Armour's problem and the plan advanced to remedy it fall into correct perspective. If the scheme goes through and preferred stockholders begin to receive dividends, they should realize that physically the company is not one iota better off than it would otherwise have been; it will have no more cash and no more property and investments than would have been the case had matters been left as they are—all of which is to the effect that the waving of a bookkeeper's pen does not create wealth.

Specifically, Armour wants to do two things: it wants to avoid the disagreeable application of the Illinois Business Corporation Act which has been in force since last summer and to lessen, so far as the future is concerned, the effect of an inconvenient provision in the first mortgage under which its $4\frac{1}{2}\%$ bonds were issued. It must not be thought that just because the company desires to avoid the incidence of a law, or the provisions in a mortgage, that some heinous plot is afoot. On the contrary, such a desire may arise from the most meritorious of motives and be the best for all concerned. Let us see.

The pertinent portion of the Illinois Act provides that no company shall pay dividends when its net assets are less than its stated capital. Now, while Armour's present stated assets are some $27,000,000 in excess of stated capital of $157,231,300, the officers believe that stated assets are more than $55,000,000 in excess of what they should be. If the assets were carried at present day utility values, they would be $28,000,000 less than stated capital and the law obviously would prevent the payment of dividends until the company had earned this amount, clearly a long process.

The awkward provision in the first mortgage is the one that provides that no dividends shall be paid on any class of stock except out of undivided and undistributed net profits. Armour's undivided and undistributed net profits amounted to less than $1,000,000 last April and, although the consolidated earned surplus of the company and its subsidiaries totalled almost $9,000,000, it by no means follows that the subsidiaries could pay $8,000,000 or so to the parent company in dividends and thereby lift the parent company's account to a worthwhile size.

And now the simple remedy: write down the stated capital, carry the amount so obtained to paid-in surplus, and use as much of this credit as may be necessary to bring the various property accounts down to what is currently supposed to be their correct value. Now, the new stated asset values of



Loading a Refrigerator Car

the properties may, or may not, bear a close relationship to their "true" values (if these are ever ascertainable) but they quite evidently will be values that the officers of the company are prepared to defend as not being excessive should the administrators of the Illinois Business Corporation Act raise any objections; something which it is equally clear they are unwilling to do at this moment. And, of course, the new property values will be much larger than stated capital values, so that the only technical obstacle in the way of dividends remains the provision of the first mortgage. This, however, at the present time, as has been said, would only prevent payments in excess of the earned surplus of $9,000,000.

But there is another point in connection with the first mortgage obstacle; if property values are written down so drastically in one fell swoop, annual depreciation charges will be much reduced. Indeed, the company estimates that these charges will be reduced by some $2,150,000 annually. As a result, *reported* earnings will be larger by this amount than they would have been otherwise and consequently earned surplus may be expected to grow that much faster. The provisions of the first mortgage, therefore, instead of being a more-or-less imminent obstacle to the payment of dividends, shortly should become, in the event that earnings hold up, nothing more than a remote effective possibility.

It is to be noted, however, that depreciation charges, like the writing down of stated capital, is also merely a bookkeeping item that has no direct effect upon a company's physical position. Indeed, in complete contradiction to the attitude taken by the company itself, we believe that the possibility of Armour's charging less depreciation is more likely to be disadvantageous than advantageous for the effect that it might have on the company's tax bills.

Specifically, in Armour's plan, the holders of 572,313 shares of the "Illinois" 7%, $100-par, preferred are being asked to exchange their stock, share-for-share, into $6 prior convertible preferred stock which, while it would be carried on the books at the same sum as the old preferred, nevertheless would be of no par value. Those making the exchange will receive also two shares of new common stock, presumably as compensation for foregoing their accumulated preferred dividends, now amounting to about $24.50. Holders of the present "A" stock are being offered new common share-for-share, and holders of the present "B" stock are being offered new common in the ratio of two old for one new.

Having discussed the reasons for the proposal to reorganize Armour's capitalization, roughly sketched the plan itself, it remains only to be settled whether the plan on the whole is fair, who benefits, who suffers, and, why. Starting from the bottom, it seems clear that the holders of the present "A" and "B" stocks will raise little objection. At the present time, their prospects of receiving any return

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ARMOUR AND COMPANY (AN ILLINOIS CORPORATION)
INCLUDING ARMOUR AND COMPANY OF DELAWARE,
THE NORTH AMERICAN PROVISION COMPANY AND THEIR SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF APRIL 28, 1934, AND PRO-FORMA
CONSOLIDATED BALANCE SHEET AFTER GIVING EFFECT TO PROPOSED PLAN

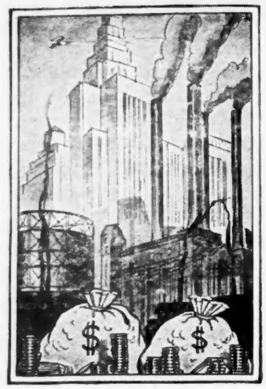
ASSETS	Before Giving Effect to Proposed Plan	After Giving Effect to Proposed Plan
Current Assets:		
Cash, including U. S. Government Treasury Notes	$ 11,568,756	$ 11,568,756
Accounts Receivable	29,755,008	29,755,008
Notes Receivable	5,049,914	5,049,914
Inventories of Products and Supplies (b)	81,881,081	81,881,081
	$128,254,759	$128,254,759
Investment Stocks, Bonds and Advances (a)	16,391,595	16,391,595
Properties:		
Land, Buildings, Machinery and Fixed Equipment:		
At Appraised Values in 1920 and 1922, plus additions thereto at cost	....	$ 83,136,545
At Cost	....	86,544,711
	$279,816,999	$169,681,256
Less—Reserve for Depreciation	94,483,158	35,135,835
	$185,333,841	$134,545,421
Refrigerator Cars, Delivery Equipment, Tools, etc., at Cost less Depreciation	12,839,440	12,839,440
Franchises and Leaseholds	2,211,580	....
	$200,384,861	$147,384,861
Deferred Charges, including Una.ortized Discount	6,121,293	3,751,293
	$351,152,508	$295,782,508
LIABILITIES		
Current Liabilities:		
Acceptances Payable	$ 211,472	$ 211,472
Accounts Payable	17,110,498	17,110,498
	$ 17,321,970	$ 17,321,970
First Mortgage Gold Bonds:		
Illinois Company—4½%, due in 1939	38,073,000	38,073,000
Delaware Company—5½%, Guaranteed, due in 1943	42,340,100	42,340,100
Morris & Company—4½%, due in 1939	9,425,000	9,425,000
	$ 89,838,100	$ 89,838,100
Minority Stockholders' Equity in Common Stock and Surplus of Controlled Companies herein consolidated	1,530,319	1,530,319
Guaranteed 7% Cumulative Preferred Stock Issued—Delaware Company (par value $100 per share)	58,377,300	58,377,300
7% Cumulative Preferred Stock issued—Illinois Company (par value $100 per share) (Dividends paid to January 2, 1931)	57,231,300	....
6% Cumulative Convertible Prior Preferred Stock—Illinois Company (572,313 shares no par) (c)	....	57,231,300
Common Stock Issued—Illinois Company (par value $25 per share):		
Class "A"	50,000,000	....
Class "B"	50,000,000	....
Common Stock (par value $5 per share) (d)	....	20,723,130
Surplus:		
Capital and Paid-in Surplus	12,985,185	36,892,055
Appropriated Earned Surplus (Delaware Company)	4,911,261	4,911,261
Earned Surplus (of which $915,252 represents earned surplus of Illinois Company)	8,957,073	8,957,073
	$ 26,853,519	$ 50,760,389
	$351,152,508	$295,782,508

(a) Includes Companies' Securities carried at cost, as follows:

	Par Value	Cost
Delaware 5½% Bonds	$ 88,100	$ 83,498
Morris 4½% Bonds	1,179,000	1,006,156
Delaware Preferred Stock	3,772,600	1,783,736
Illinois Preferred Stock	61,000	16,877
	$5,100,700	$2,896,267

(b) Packing house products, at market values less allowance for selling expenses—other products and supplies, at cost or market, whichever is lower.
(c) Each share of 6% Cumulative Convertible Prior Preferred Stock is convertible at any time, at the option of the holder, into 6 shares of $5 par value Common Stock.
(d) Common Stock to be initially outstanding, 4,144,626 shares, each $5 par value.

For Profit and Income



Operators of Rolling-Stock

General American Transportation, the larger of the two "tank car" companies, reported earnings for the first quarter of this year equivalent to 44 cents a common share, compared with 39 cents in the first quarter of last year. For the full year 1933, $2.50 a share was reported, against $2.19 a share for the previous year. Union Tank Car makes no quarterly reports, but earnings for 1933 were equivalent to 99 cents a share, compared with 84 cents a share in 1932. The stock of General American Transportation currently sells for about $39 a share and pays a regular dividend of $1 annually, while the stock of Union Tank Car is quoted around $20 a share and distributes a regular dividend of $1.20 annually. Contrasted to what happened generally during the depression to the railroads, the manufacturers of railroad equipment, and to other companies connected with the railroads, the showing made by these two "tank car" companies stands up remarkably well. Moreover, now that business as a whole is increasingly active and in view of the widening demand for special-type containers there seems to be no valid reason why they should not continue to register gains. These, in the case of General American Transportation ought to be reflected within the reasonably near future in larger dividends and, in the case of Union Tank Car, while there is less chance of larger disbursements to stockholders, those that are being made ought to become more assured.

* * *

Preferred Affords Good Return

Profiting from the increased activity in the automobile industry, Collins & Aikman Corp. for the fiscal year ended February 24, 1934, reported earnings equivalent $20.62 a share on its 7% preferred. The company's business principally is the manufacture of fabrics for automobile upholstery, although considerable business normally is derived from such miscellaneous lines as furniture coverings, cloakings and suitings, and floor coverings. While the company has to meet the severest kind of competition throughout almost the entire range of its activities, it enjoys a position such that reasonable earnings should be made if only a fair volume of production can be maintained. With general business holding up as it is, there should be no difficulty in at least covering preferred dividends by a substantial margin. The preferred stock which, today can be bought around $86 a share to yield more than 8% appears to discount any uncertainties that there might be in the situation.

* * *

Interesting Convertible Note

Following a loss in the final quarter of last year, the business of the American Rolling Mill Co. took a sharp turn for the better. For the first three months of 1934, the company reported net profit of $545,269 after depreciation, interest and federal taxes. While American Rolling Mill is still handicapped by the deplorable lack of activity in the construction industries, nevertheless, on the basis of the first quarter, it evidently can manage to do reasonably well on orders for consumption products. So far this year, the company's profits have been returned almost entirely from the manufacturers of automobiles, electric refrigerators, oil burners and other household and kitchen equipment. Should business in these lines continue to hold up reasonably well, holders of the 5% Notes need have no fear for their interest and might well enjoy the gratifying prospect of seeing the conversion feature that attaches to their investment made effective. The Notes are convertible into 40 shares of common stock for each $1,000 of principal. In other words, as soon as the common crosses $25 a share the conversion feature becomes of concrete value; although those who buy the Notes at the current market price of about 105 will have to wait for the common to move somewhat higher before profiting from this feature. But in any event, the convertible privilege is within measurable distance of being of real value and, with any pick-up in construction for which the Government is now striving hard, this point undoubtedly would be reached quickly.

* * *

Two Favored Groups

It is a long lane that has no turning. And so it is, at least occasionally, that long-deferred investment hopes bear some fruit. For example: sugar—for years a generally depressed industry—has arrived at better days. Thanks largely to the Jones-Costigan Act, slightly higher and considerably more stable prices are probable. This should sweeten profits. Sugar stocks are rising. Example No. 2: The dairy industry appears to have put the worst behind, whereas only a few months ago investors were sadly asking, "What's the matter with the dairy stocks?" The trouble was over-production, depression's decline in consumption and unprofitable prices. Now the drouth in various dairying areas has cut down production of milk. Demand is gradually expanding; and such important side-lines as ice cream, cheese and butter are showing consumption well above a year ago. Dairy stocks are at the best prices in many months. It would seem that investing in depressed industries can *sometimes* prove quite profitable. Unfortunately, however, a formidable list of "ifs" are involved. Textiles, long depressed, had a good year in 1933. An abnormally cold winter helped coal, also a sick industry.

(*Please turn to page 271*)

Taking the Pulse of Business

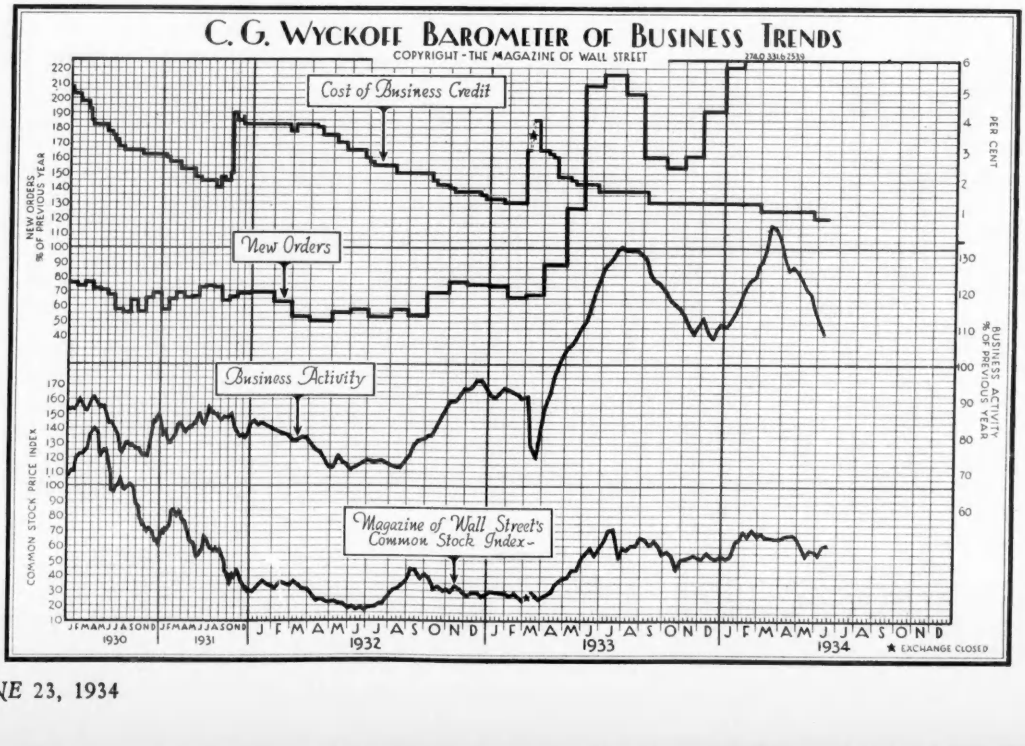
—Steel Operations Advance
—Copper Profits Restored
—Treasury Buying Silver
—Sugar Outlook Brighter
—Motor Sales Improve

WHILE the actual volume of business, viewing the country as a whole, has risen fractionally from the lowest point reached on the recent reaction, the improvement has been so much less than last year at this time that our Business Activity index has continued its steep decline and now indicates that the physical volume of production, distribution and trade is less than 10% ahead of last year. All of the items entering into this index have been displaying either less than seasonal gains or greater than seasonal declines—with the exception of car loadings, which are usually among the last to reflect a recession in industry and which at the present time are being sustained by a rather heavy movement of freight in anticipation of labor troubles at the steel mills. In spite of the persistent decline in our index, however, it is noteworthy that the actual recession in general business thus far has amounted to only a few points, so that the drop in this index is attributable almost entirely to the extremely rapid pace at which business was recovering a year ago.

A similar situation accounts for the sharp drop in our Raw Material Price index, which compares current prices with those prevailing a year ago. Actually, the average price level of staple commodities has remained almost stationary for a number of weeks; so that changes in the index have been due in large part to last year's fluctuations. It should be noted, however, that comparisons of this year's earnings with last year's profits are affected just as unfavorably by a higher level of prices and heavier volume of business a year ago as by lower prices and smaller unit sales this year; which explains why our curves of Business Activity, Raw Material Prices, and New Orders, are all drawn to show current conditions in percentages of conditions obtaining a year earlier.

The decline in our Raw Material Price index, along with an outbreak of price cutting in many lines of finished products, would appear to suggest that renewed and more vigorous efforts will have to be made if the Administration's purpose to restore price relations to the 1926 level is to be achieved within any reasonable interval of time. It should be recalled, however, that the main object of commodity price manipulation has been to restore farm purchasing power, which is as yet only 62% of what it was in 1926. This may explain the apparent contradiction of recent rumors that further inflationary steps are to be taken, while General Johnson in the meantime is pulling the peg from price fixing schemes involved in the codes. Large retail organizations are hoping that this will once more enable them to obtain quantity discounts for manufactured goods, and so recapture much of the business lost to smaller stores where payrolls are not subject to the codes.

In spite of weakness in the price structure, New Orders coming in to the heavy industries, according to the latest point on our graph, are still more than two-and-a-half times as large as last year, despite the abrupt drop in that curve, from its recent peak. Construction contracts awarded for May in thirty-seven Eastern states exceeded those for May,



1933, by 74%, compared with a gain of 132% in April and 199% in March. In the field of retail merchandising, it is reported that department store sales, in dollars, are showing a less than seasonal increase; so that May ran only 12% ahead of May, 1933, compared with a 20% increase for the first five months of the current year. Twenty important chain store and mail order organizations report for May an average increase of 18.6% over 1933. Obviously this decline in the percentage of business gains, in conjunction with receding prices, has brought a renewal of the old hand-to-mouth buying policies while inventories are being reduced. The profits from industry and trade continue, however, to show gratifying improvement over a year ago, and dividends declared in May were 20% larger than last year.

The Trend of Major Industries

STEEL—The industry's operating rate has been speeded up to around 61% of capacity in filling the specifications of consumers who are anxious to obtain delivery on second quarter contracts before the higher schedule of prices becomes effective. In some instances there has been stocking in anticipation of a labor strike in the industry. Protective orders for finished steel have been heaviest in tin plate and sheets where, in some instances, stocks equal to a three months' supply have been accumulated. Because of such excess inventories a more than seasonal let-down in production is expected for the third quarter. This belief appears to have support from the failure of scrap prices to rally with recovery in the operating rate.

METALS—Silver has recovered to around the 46-cent level under persistent Government purchases as well as from the belief among speculators that passage of the silver bill means gradually higher prices for the white metal and, incidentally, further inflationary effects upon the general price level. Large quantities of copper have been purchased recently by large consumers in anticipation of the price advance to nine cents which has just been posted by the majority of producers. With gradually advancing prices, the profits of leading copper producers are on the up-grade, as will be seen from the circumstance that no less than three such companies—Cerro de Pasco, Kennecott, and Phelps-Dodge—have already resumed dividend payments this year. Tin has receded to 51 cents, partly in consequence of an increase in the export quota to 50%, from the former 40%, and partly due to a slow sagging in the sterling exchange rate. Other non-ferrous metals remain quiet, without price changes.

PETROLEUM—Dismissal by the state appellate court of injunctions against four East Texas refining companies has made it more difficult for the Commission to enforce proration orders. Opening of the new Cayuga oil field in Anderson County, and a rise in "hot oil" output to 100,000 barrels daily have added to the tribulations of this industry. As if these were not enough trouble, comes the announcement that voluntary purchases of distress gasoline have been abandoned as impractical by leading refiners, and a new gasoline war has broken out in Chicago. It would appear that enactment at the present session of Congress of Secretary Icke's oil control bill is greatly needed to save the industry from another relapse.

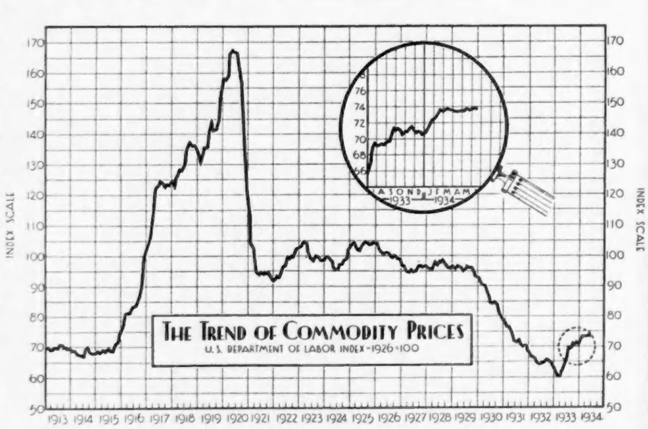
AUTOMOBILES—Estimated automobile production of 337,000 cars in May, an increase of 50% over last May, brings the total output for five months up to 1,478,000 units, or 88% more than during the corresponding period of 1933. Recent reductions in prices for leading models has stimulated sales in some measure; though the earlier mistake of raising prices has caused a considerable loss of business which probably can not be recovered this year by the belated correction.

SUGAR—Secretary Wallace has fixed the following quotas: Cuba, 1,902,000 of raw sugar, of which 418,000 tons may be shipped in as refined; Philippines, 1,015,000 tons and 80,000; Puerto Rico, 803,000 and 133,000; Hawaii, 917,000 and 26,000; Virgin Islands, 5,469 tons of raw. U. S. beet sugar quota was set at 1,556,000 tons, and the cane quota for Florida and Louisiana at 261,000 tons. Sugar securities have been strong recently under belief that the plan, as a whole, will be beneficial to the industry.

FURNITURE—Owing to overstocking last year, furniture prices are being maintained with difficulty, and the profits of many manufacturers operating at reduced capacity will be rather meager until excess inventories can be absorbed.

Conclusion

Nothing could illustrate the highly artificial character of economic conditions last year more strikingly than our indexes of Business Activity and Raw Material Prices. Evidently business planning is not yet synonymous with business control. Nevertheless, while such violent advances and reactions in the business tide tend to obscure the main trend, the longer range prospect remains favorable, in view of the record low Cost of Business Credit, the world-wide scope of the recovery which set in two years ago, and the recent vigorous rebound in our Common Stock index. If last week's amendments to the Securities Act serve to open up the investment markets, there can be no question about which way the business tide is moving.

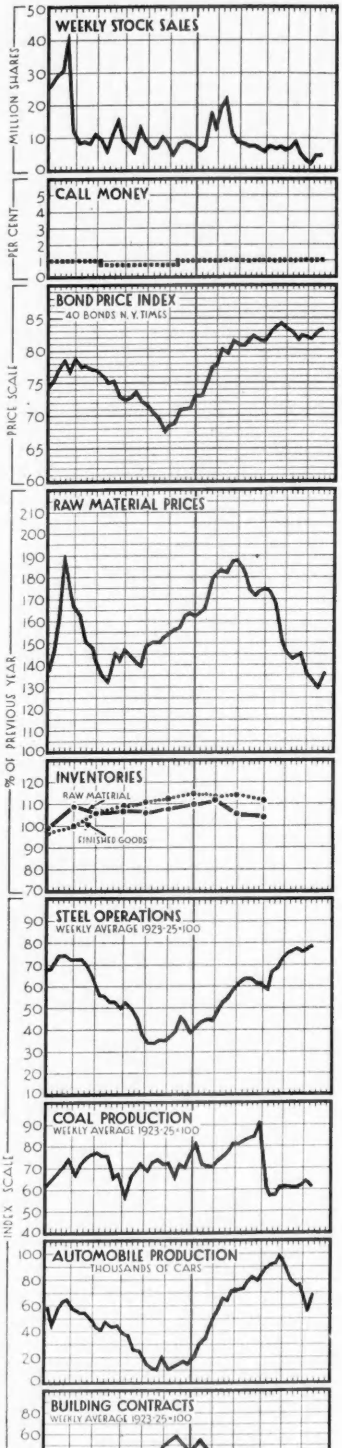


Changes in Major Commodity Price Group for the Fortnight Ended June 9, 1934

Farm products	up	0.6	Metals	down	0.9
Foods	up	0.2	Building materials	up	0.6
Hides and leather	down	0.8	Chemicals	up	0.1
Textiles	down	0.4	Housefurnishings	down	0.5
Fuel and lighting	up	0.4	Miscellaneous	up	0.3

The Magazine of Wall Street's Indicators

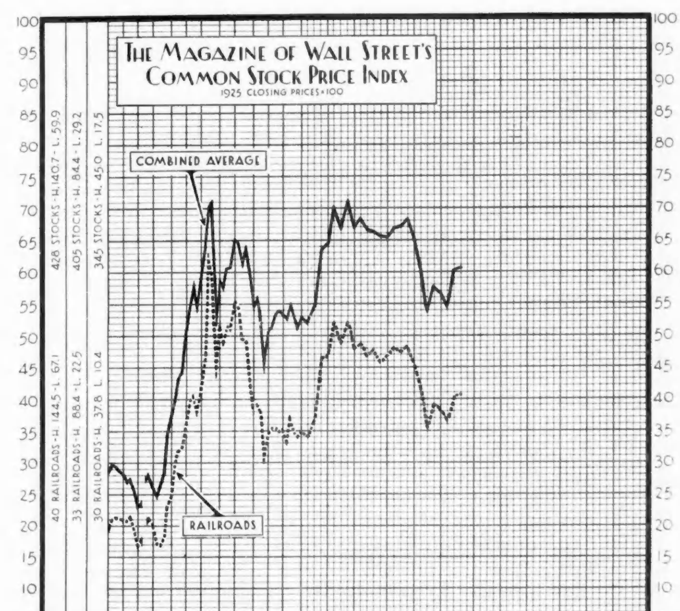
Business Indexes



Common Stock Price Index

1933 Indexes High 71.3	Low 22.7	Close 52.9	Number of Issues 312	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High 71.2	Low 51.9	June 2 54.3	June 9 60.2	June 17 60.6
116.0	26.8	68.6	5	Agricultural Implements....	105.7	59.5	59.5x	67.9	66.4
37.8	7.3	27.1	5	Amusements............	42.3	24.7	32.2	34.8	33.8
50.9	12.4	41.3	14	Automobile Accessories....	58.9	39.6	43.9	48.9	48.4
22.7	7.3	18.0	13	Automobiles............	24.9	16.8	16.8x	18.9	17.9
102.9	41.8	61.6	5	Aviation (1927 Cl.—100)....	92.5	59.4	62.5	69.3	68.4
26.5	5.1	12.2	4	Baking (1926 Cl.—100).....	17.4	12.0	12.0	12.2	12.7
157.5	79.9	145.6	2	Biscuit............	150.0	122.3	123.2	127.0	126.5
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.—100)...	240.9	186.7	188.7	202.2	201.0
128.8	39.8	107.6	5	Business Machines........	136.0	102.0	105.3	118.3	120.6
191.1	92.9	189.1	2	Cans............	204.3	178.9	178.9x	192.1	194.4
238.2	71.5	193.6	8	Chemicals............	210.5	153.4	153.4x	169.4	174.3
34.8	11.3	28.0	16	Construction............	37.2	26.0	26.2	29.6	30.5
81.0	20.3	54.9	6	Copper............	70.1	51.0	51.0x	62.5	63.5
47.7	23.0	25.7	2	Dairy Products............	36.1	25.7	32.4	35.2	36.1h
27.3	6.6	19.6	8	Department Stores........	26.8	19.3	19.6	21.8	21.6
89.0	45.3	57.0	9	Drugs & Toilet Articles.....	84.2	57.0	70.0	75.6	73.7
104.0	35.6	75.4	4	Electric Apparatus.........	91.3	67.1	68.7	75.6	76.5
104.6	33.2	103.8	2	Finance Companies........	178.3	103.8	140.5	159.5	165.5
75.2	32.6	52.0	5	Food Brands............	64.0	51.1	56.5	60.5	61.4
77.5	40.5	58.6	4	Food Stores............	71.1	57.2	60.2	63.7	66.0
1365.0	481.2	1180.8	3	Gold Mining............	1325.0	1115.0	1209.0	1314.0	1322.0
[illegible]	10.5	26.0	5	Household Equipment.....	35.1	25.1	30.4	33.4	33.9
38.0	14.5	23.1	6	Investment Trusts.........	31.8	22.2	23.1	25.1	25.4
360.0	85.0	244.6	2	Liquor (1932 Cl.—100).....	295.5	217.0	218.4	253.1	249.9
47.4	13.5	39.4	2	Mail Order............	53.4	37.7	38.5	45.5	46.5
120.3	21.9	57.2	3	Meat Packing............	88.6	57.2	66.9	73.6	73.1
136.4	30.1	132.6	11	Metal Mining & Smelting..	160.1	126.6	133.2	149.0	152.9
83.4	29.3	66.0	25	Petroleum............	86.8	61.9	63.7	70.4	69.6
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	21.3	22.7	22.4
104.0	40.8	49.0	20	Public Utilities............	72.8	47.2	52.3	56.9	60.3
69.4	17.7	53.4	8	Railroad Equipment........	66.2	46.5	46.5x	52.1	51.3
63.0	16.3	34.5	30	Railroads............	52.0	34.0	36.5	40.3	40.7
44.3	6.2	30.0	3	Shipbuilding............	50.2	29.4	38.0	43.2	42.7
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)..	150.3	114.0	130.5	139.4	135.8
69.1	19.1	51.8	11	Steel & Iron............	77.0	48.2	48.2x	56.8	59.5
29.5	7.3	21.3	5	Sugar............	30.8	20.5	24.5	27.7	29.5
216.5	79.3	200.8	2	Sulphur............	214.0	162.1	169.0	180.4	167.2
82.3	28.1	61.4	3	Telephone & Telegraph....	70.3	52.3	53.2	58.2	60.4
82.2	22.5	49.1	8	Textiles............	65.8	47.5	48.4	53.6	52.9
15.1	3.0	11.0	5	Tires & Rubber............	14.6	10.4	10.7	11.9	11.7
90.2	46.2	69.4	4	Tobacco............	77.8	66.5	73.2	77.8h	77.2
57.2	22.3	57.2	3	Traction............	57.2	43.7	48.0	50.7	50.3
52.9	23.3	43.6	3	Variety Stores............	117.1	43.6	85.8	105.5	111.1

h—New HIGH this year. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

AMERICAN SUGAR REFINING CO.

Is the Jones-Costigan bill favorable to American Sugar Refining? What do you think of this stock's speculative possibilities? Would you advise me to take my profit, or hold 100 shares of the common bought at 46?—J. M. M., Butte, Mont.

American Sugar Refining Co. reported for the year ended December 31, 1933, net income of $4,965,065, equivalent to $11.03 a share on the 7% preferred stock and to $4.03 a common share. This compares with $4,504,408, or $10.01 and $3.01, respectively, on the preferred and common stocks in the previous year. In addition to being a leading domestic sugar refiner, the company also controls important producing acreage in Cuba. The new sugar law to which you refer was designed primarily to limit supplies in the domestic markets to approximate consumptive requirements. In other words, excessive imports will be checked, and the subject company will be protected from intensified competition from "off-shore whites." Additionally, the reduction of the tariff on imports from Cuba should aid operations of its plantations in that country. Certainly, the benefits expected to accrue to the company should be reflected in per-share earnings for the current year. While the new sugar law provides for a processing tax, there is little question but that refiners will be able to pass this on to consumers, especially in view of the indicated balance between supply and demand. The financial condition of the organization is excellent as is indicated by the balance sheet dated December 31, 1933, with total current assets of $26,822,944, including cash of $10,684,011, compared with current liabilities of $5,559,840. Unquestionably, further general business recovery and a consequent increase in consumer purchasing power will result in higher domestic consumption of sugar, but recent tariff protection and curtailment of available raw sugar supplies appear more important from the standpoint of earnings. In any event, the earnings outlook now appears more promising than has been the case for some time past and we would certainly suggest that you maintain your position in the common stock for further price enhancement.

CORN PRODUCTS REFINING CO.

With Corn Products Refining selling so low, do you believe its outlook unfavorable? Or do you believe this would be a good time to pick up 100 shares of this stock?—J. H. P., Des Moines, Iowa.

Yes, Corn Products Refining Co. common stock at prevailing levels, in our opinion, offers a sound investment opportunity and we would be willing to endorse the purchase of 100 shares. A careful analysis of the situation lends definite support to the belief that the decline in the shares has been largely the result of temporary factors. In the first quarter of the current year the company reported net earnings of $1,635,507, as compared with $1,948,200 in the corresponding months of 1933. Due, however, to substantially larger "other income," being income from securities owned and from affiliated companies, net income was increased to $2,298,411, as against $2,098,613 in the first quarter of 1933. These figures are equivalent to 74 cents and 65 cents per share, respectively, on the 2,530,000 shares of common stock. The decline in net earnings this year is in all probability largely the result of the substantial forward buying of the company's products which occurred in the final months of 1933. From March, sales have recovered substantially. Earlier this year the company placed into effect a 10% increase in wages and as yet there has been no advance in the prices of its products to offset the additional processing tax and higher prices of corn. Under the circumstances, the expansion in earnings this year may not be as pronounced. Nevertheless, the present $3 dividend may be regarded as eminently secure. Financial position is excellent and since 1926 the company has paid at least $3 per share annually in cash dividends. The year

(Please turn to page 263)

"How can my funds be used profitably in this market?"

HOW will the National Securities Exchange Bill affect the stock market? Labor troubles? The drought? Oil control? What changes will be made in the NRA and AAA? Will there be further deflation of the dollar?

In attempting to employ his capital to best advantage today, the investor and semi-investor is faced with a host of perplexing questions which affect his market position. To gather, analyze and interpret the information required to answer these uncertainties currently, in terms of market action, constitutes a problem beyond the experience and facilities of the average man.

Definite, Continuous Guidance

For over 15 years, investors and semi-investors throughout the country have turned profitably to The Investment and Business Forecast for counsel, during market phases of every type. In keeping with your personal capital and objectives, it will advise you precisely what and when to buy and when to take profits. To date this year our completed recommendations have made available to clients 75¾ points profit, with only a half-point loss.

Buy Stocks Selected by Experts

The current phase should prove to be the final step in establishing a solid base from which this year's major market advance will get underway. Now is the time to place commitments for those issues just chosen by our market technicians as offering the greatest near-term profit possibilities.

Promptly upon receipt of your enrollment, you will be advised of the securities to purchase, so that you can share fully in the substantial gains which should result from our immediate campaign.

THE INVESTMENT AND BUSINESS FORECAST

of The Magazine of Wall Street

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I enclose $75 to cover my six months' test subscription to The Investment and Business Forecast. I understand that regardless of the telegrams I select I will receive the complete service outlined by mail. ($125 will cover an entire year's subscription.)

Send me collect telegrams on all recommendations checked below. (Wires will be sent you in our Private Code after our Code Book has had time to reach you.)

☐ **TRADING ADVICES** — Short-term recommendations following the intermediate rallies and declines (to secure profits that may be applied to the purchase of investment and semi-investment securities). Four to six wires a month. Three to five stocks carried at a time. $1,000 capital sufficient to act in 10 shares of all recommendations on over 50% margin.

☐ **UNUSUAL OPPORTUNITIES** — Speculative investments in low-priced but sound issues that offer outstanding possibilities for market profit. Three to four wires a month. Three to five stocks carried at a time. $500 capital sufficient to purchase 10 shares of all recommendations on over 50% margin.

☐ **BARGAIN INDICATOR** — Dividend-paying securities entitled to investment rating, with good profit possibilities. Three to four wires a month. Three to five stocks carried at a time. $1,000 capital sufficient to purchase 10 shares of all recommendations on over 50% margin.

NAME .... CAPITAL OR EQUITY AVAILABLE ....

ADDRESS ....

CITY .... STATE ....

June 23

New York Stock Exchange

Rails

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/13/34	Share
A								
Atchison	94	17⅞	80⅛	34⅝	73¾	51½	59¾	..
Atlantic Coast Line	44	9¾	59	16½	54¼	34¼	42	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	21	24⅝	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	39½	42⅜	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	40¼	28¼	38¾	..
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	12¾	15¾	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	47⅞	39½	47¼	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	4¼	5	..
Chicago & Northwestern	14½	2	16	1¼	15	6⅝	10¼	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	49	56⅛	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	20⅛	25	..
E								
Erie R. R.	11¾	2	25¾	3¾	24⅞	13⅞	20½	..
G								
Great Northern Pfd.	25	5½	33¾	4⅝	32½	18	22⅜	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	22	26¾	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	13¾	7	8⅞	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19¾	11	14	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	12⅝	16⅝	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	48¼	55½	1½
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	7½	9¾	..
Missouri Pacific	11	1½	10¼	1⅛	6	3	4	..
N								
New York Central	36⅝	8¾	58½	14	45¼	25⅜	31	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	26⅞	15	21½	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	13⅜	16¼	..
N. Y., Ontario & Western	15¾	3⅝	15	7½	11⅝	7¼	8¼	..
Norfolk & Western	135	57	177	111½	182	161	182	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	21⅛	25⅝	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	28¼	31¼	.50
R								
Reading	52¼	9½	62½	23½	56⅜	43	48⅛	1
S								
St. Louis-San Fran.	6⅝	⅝	9	⅞	4⅝	2⅜	3½	..
St. Louis-Southwestern	13⅞	3	22	5¼	20	12½	16½	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	18½	25¼	..
Southern Railway	18½	2½	36	4⅛	36½	21⅞	27½	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	110½	125	6
W								
Western Maryland	11⅜	1½	16	4	17¼	8¾	13¼	..
Western Pacific	4¾	½	9½	1	8½	2¾	6	..

Industrials and Miscellaneous

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/13/34	Share
A								
Adams Express	9½	1⅝	13¼	3	11⅞	6⅝	9	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	91¾	99	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	17⅜	20½	*.90
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	2½	2⅞	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	126½	140½	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	13¾	17¼	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	23¾	27	.80
American Can	73⅞	29⅝	100½	49½	107¾	90¼	97¼	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	18¼	22½	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	32	38	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	7	9	..
Amer. International Corp	12	2½	15⅛	4¼	11	6½	9⅛	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	13	15¾	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	5⅞	7¾	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	12	14⅜	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	16⅜	20	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	35¾	42¼	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	14	17	..
Amer. Sugar Refining	39¼	13	74	21½	61¼	46	61	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	107¾	119¾	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	71¾	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	74	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	16⅜	20¼	1
Amer. Woolen	10	1⅝	17	3½	17⅛	8½	12	..
do Pfd.	39⅞	15½	67½	22⅝	83¾	58	65	2½
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	13	15¾	..
Armour Ill. A	2¾	⅝	7¾	1⅛	8	4¼	6⅛	..
do B	2	⅜	5	¾	3⅞	2¼	2⅞	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21¾	27⅛	1
Auburn Auto	151¾	28¾	84¼	31	57⅞	30	30	..
Aviation Corp. Del.	8⅞	1½	16⅜	5½	10¾	5⅜	7	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	9⅞	11½	..
Barnsdall Corp.	7	3⅜	11	3	10	7	8¼	..
Beatrice Creamery	43½	10½	27	7	18¾	10⅜	17	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 6/13/34	Div'd $ Per Share
B								
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	13⅝	16⅛	..
Best & Co.	24⅞	5¾	33⅛	9	34⅛	26½	31½	1
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49¼	30⅜	34⅜	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	49⅝	56¾	3
Borden Company	43⅛	20	37⅜	18	27½	19⅞	26¼	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	20⅝	24½	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	19⅜	12	17¼	.50
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	12⅛	14¼	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	18¾	23½	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	20	23	1
Case, J. L.	65¾	16¾	103½	30½	86¾	46	53¾	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23½	27⅜	.50
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	22⅝	27⅞	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	40¼	30¼	38	.50
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	46	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	36½	42⅝	*1¼
Coca-Cola Co	120	68½	105	73½	127	95¼	124½	6
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	16⅛	..
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	73	3
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	11⅛	14	§.50
Commercial Credit	11	3⅞	19¼	4	35⅛	18⅝	30	1
Comm. Inv. Trust	27⅞	10⅞	43½	15	59¾	35¾	57	2
Commercial Solvents	13¾	3½	57¼	9	36¾	19¾	23⅞	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1¾	2⅛	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	23	28⅛	1.30
Consolidated Gas of N. Y.	68¾	31½	64⅛	34	47⅜	31⅛	33⅜	2
Consol. Oil	9	4	15¾	5	14¼	9½	11½	.28
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	7	9⅜	..
Continental Can, Inc.	41	17⅝	78⅜	35¼	83¼	69½	79½	3
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	32¼	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	16½	20¾	.25
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	60½	68¾	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	24¼	27	..
Cudahy Packing	35½	20	59½	20¾	50¾	37	46	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2½	3½	..
D								
Diamond Match	19⅛	12	29½	17½	28½	21¾	24	1
Dome Mines	12⅞	7½	39½	12	43⅜	32	42⅞	*3½
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	21⅝	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	89⅞	2.60
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	100¼	79	99½	4
Electric Auto Lite	32¾	8½	27½	10	31⅜	18⅛	23⅛	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	4½	6	..
Electric Storage Battery	33¼	12⅝	54	21	52	40	43⅝	2
Endicott-Johnson Corp	37¼	16	62⅞	26	63	51	55	3
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	17	19⅛	.40
First National Stores	54½	35	70¾	43	67½	54¼	65½	2½
Fox Film. Cl. A	5⅞	1	19	12	17½	12¼	14½	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	35	39	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	33⅛	39½	1
General Asphalt	15½	4¾	27	4⅝	23½	15⅛	19¾	..
General Baking	19⅝	10½	20⅞	10½	14⅜	9¾	10	1
General Electric	26⅛	8½	30¼	10½	25¼	18½	20⅞	.60
General Foods	40½	19⅝	39⅞	21	36⅞	31⅜	32¾	1.80
General Mills	48½	28	71	35½	64½	53⅞	57¼	3
General Motors Corp	24⅝	7⅝	35¾	10	42	29⅛	32⅝	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	31¼	35¼	1
General Refractories	15⅜	1¾	19¾	2½	23⅜	10⅛	15¾	..
Glidden Co	10⅜	3⅛	20	3¾	28⅜	15⅝	25¾	1
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	12½	8½	10⅞	1
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16¾	20½	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	12¼	14⅝	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	25¾	30¼	..
Great Western Sugar	12	3¼	41⅞	7	34⅞	25	32¾	2.40
H								
Hershey Chocolate	83	43½	72	35⅛	64⅞	48½	63	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	29¾	17¼	22½	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	12⅛	13¼	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	3⅛	4	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	50	61½	1½
Inter. Business Machines	117	52½	153¼	75¾	149¼	131	138⅞	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	21⅝	27¾	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	30	33⅛	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	26¾	.20
Inter. Tel. & Tel.	15¾	2⅝	21¾	5⅛	17¾	11⅜	13¾	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	44	53	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅞	19⅛	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23⅛	17¾	22⅝	.15
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	19	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	31⅜	*1½
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	28⅜	3
Lehman Corp	51⅞	30½	79⅜	37½	78	64⅝	68¾	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	27⅜	32⅛	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	97⅞	74½	97⅜	*5
Liquid Carbonic	22	9	50	10¼	36⅜	25¾	29¼	*1¼
Loew's, Inc.	37¾	13¼	36½	8½	35⅛	25¾	32½	1
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	38½	40¼	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	18⅞	1.20

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/13/34	Share
M								
Mack Truck, Inc.	28¾	10	46⅜	13½	41¾	23⅝	27¾	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	38½	42	2
Marine Midland	14⅜	6½	11½	5	9	5¾	7½	.40
Mathieson Alkali	20⅞	9	46⅝	14	40¾	28	32½	1½
May Dept. Stores	20	9½	33	9¾	44⅜	30	39¼	1.60
McIntyre, Porc M	21⅝	13	48⅜	18	50¼	38½	48⅛	*1½
McKeesport Tin Plate	62¼	28	95¾	44⅛	94¼	83	88¾	4
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	21¼	28¼	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	15⅞	18	..
National Biscuit	46⅞	20¼	60⅝	31½	49½	33⅝	37	2
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	14½	17¼	..
National Dairy Prod	31⅜	14⅜	25¾	10½	18⅜	13	17⅞	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	23¼	27	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	8½	10¼	.80
National Steel	33⅞	13½	55⅛	15	58¼	38⅜	43	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	4⅛	4⅞	..
North American Co	43¼	13¾	36½	12½	25¼	13⅜	18	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	10½	12½	.15
Otis Elevator	22½	9	25¼	10⅛	19⅜	14	15¾	.60
Otis Steel	9¼	1¼	9¼	½	8	4⅛	5⅜	..
Owens Ill. Glass	42¼	12	96¾	31½	94	73½	78⅛	3
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	15½	18½	1½
Pacific Lighting	47½	20¾	43⅜	22	37	23½	32	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	3¾	4	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	4½	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	58⅞	2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	27	33	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	14⅝	17⅝	.50
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	15⅛	19½	.50
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	33⅛	35⅛	1½
Public Service of N. J.	60	28	57⅛	32⅝	45	33	37	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	46½	52¾	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	9⅜	11¾	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	12¼	14½	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	6½	7½	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	2¼	2⅞	..
Remington-Rand	7½	1	11¼	2½	13⅜	6⅜	10¾	..
Republic Steel	13⅞	1⅞	23	4	25¾	15	17⅝	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	46½	39¾	46⅜	3
Royal Dutch	23¾	12⅛	39¾	17⅝	39⅛	33	35¾	1.07½
S								
Safeway Stores	59¼	30⅛	62⅜	28	57	44	51¼	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	38⅜	43⅝	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	25⅜	35½	*.80
Servel, Inc.	5⅜	1½	7½	1½	9	4¾	7⅞	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅞	6¾	10½	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	7⅞	8¾	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	14½	17¼	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	14	16⅝	.30
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	15¼	16⅜	2
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	18¾	20½	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6⅝	11½	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	30⅝	36⅝	1
Standard Oil of N. J.	37⅜	19⅞	47½	22¾	50⅛	41⅛	46¼	1
Sterling Products	....	....	63	45¾	61¾	47¼	60	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	6¼	7⅝	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	6	8¼	..
Studebaker Corp.	13¾	2½	8⅜	1½	9¼	4⅜	5	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	21½	25⅞	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	30½	34½	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8½	13¾	..
Timken Roller Bearing	23	7¾	35½	13¾	41	26¾	30¾	1
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	5⅞	6¾	.12½
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	4	4¾	..
U								
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	51½	36	46	1½
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	35⅞	42¼	1.40
Union Oil of Cal	15⅜	8	23⅜	8½	20½	15	16¾	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	37⅞	17⅝	21⅜	..
United Carbon	18	6⅝	38	10¼	45¾	35	44½	1.72
United Corp	14	3½	14½	4	8⅞	4½	5½	..
United Corp. Pfd.	39⅜	20	40⅞	22⅛	37⅞	24¾	32⅞	3
United Fruit	32⅜	10¼	68	23¼	77	59	72¾	*2½
United Gas Imp	22	9¼	25	13⅞	20⅛	14¼	16½	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	37	43¾	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	18	24¾	.50
U. S. Realty	11¾	2	14½	2½	12¾	5¾	7½	..
U. S. Rubber	10¼	1¼	25	2⅞	24	14¾	20½	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	135½	96⅝	128	*5½
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	37⅜	42¼	..
U. S. Steel Pfd	113	51½	105½	53	99½	79⅛	88½	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2⅝	3	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	18	23⅜	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	4⅞	6⅛	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	40¾	48½	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	25⅞	28⅝	1
Westinghouse Elec. & Mfg	43½	15⅝	58¾	19⅜	47¼	30¼	37⅞	..
White Motor	27¼	6⅞	26½	15⅛	28½	16½	18⅛	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54⅞	41¼	51⅜	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	17	23	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	65	54½	64	*3½

§ Payable in stock. * Including extra.

Answers to Inquiries

(*Continued from page 258*)

1932 has been the only one since 1920 that the company failed to earn more than it paid out in dividends. Corn Products enjoys the distinction of being the largest manufacturer and distributor of starch, syrup, sugar, oil and other products derived from corn for household and industrial uses. Not only does the company operate plants in the United States but in thirteen foreign countries as well. It is also important to note that by eliminating intangibles, abandoning obsolete plants and the investment of much capital abroad in the interest of trade, this concern is in excellent position to escape the dissipation of its assets by inflation. Add to these favorable factors, the simple capitalization, and the shares qualify readily as an investment medium with better-than-average possibilities for price appreciation.

DEVOE & RAYNOLDS, INC.

As a new subscriber I will appreciate your views on Devoe & Raynolds. This stock has been doing so well I am undecided whether to cash in now or continue holding. Please advise me.—V. M., Galveston, Texas.

Last year the earnings of Devoe & Raynolds underwent a complete and pronounced reversal. Contrasting with net income of only $21,765 in the 1932 fiscal period, profits last year totalled $656,336. Applied to the 135,000 combined shares of Class A and Class B common stock, earnings, after preferred dividends, were equivalent to $3.78 per share. Dividends on the Class A and Class B shares, after a lapse of one year, were promptly reinstated and while it is the present policy of the company to pay at the rate of 25 cents per share quarterly, plus an extra of 25 cents, the shares, for all practical purposes, may be regarded as being on a $2 annual basis. While it is not to be expected that earnings will advance with the same degree of rapidity as last year, the outlook appears clearly for continued improvement. As a leading factor in the paint industry, manufacturing a complete line of paints, varnishes, enamels, floor stains and kindred products, the company is in an excellent position to derive substantial benefits from the efforts now being directed by the Government toward the rehabilitation of the building industry and the modernization of existing dwellings. The company's sales in the first quarter of the current year, while somewhat lower seasonally than the final quarter of 1933, were, nevertheless, 40% more than for the initial quarter of last year Prices have been advanced and it is understood that the company is plentifully supplied with low-cost inventories, a combination which obviously makes for larger profit margins. Under the circumstances, earnings approaching $5 per share on the Class A would seem within the realm of possibility this year. On the whole, therefore, the shares appear to be reasonably appraised at prevailing quotations and we would counsel retention of your present commitment.

INGERSOLL-RAND CO.

What do you think of Ingersoll-Rand's prospects? Don't you think it should be doing better with the Government's plans for stimulating the heavy industries? Would you hold or sell 150 shares averaging 68½?—T. R., Concord, N. H.

With earnings equivalent to only 1 cent a share last year, it is clearly apparent that the current market appraisal of Ingersoll-Rand Co. common stock rests to a considerable extent upon potentialities. The company is rated as one of the leading manufacturers of compressors, drills, engines, pneumatic tools and other equipment used in road building, mining, construction and railroad repair work. The nature of the company's business is such as to make it not only extremely sensitive to business depression, but slow to respond to improvement in the early stages. Losses have been shown in each of the past three years and the nominal profit reported in 1933 was made possible only through interest on a tax refund amounting to $123,893. The advent of the depression, however, found the company with substantial liquid resources, which have enabled it to maintain dividends and, despite the inroads made, the company had over $15,000,000 in cash and United States obligations at the end of last year and current assets amounted to $26,406,503, as compared with current liabilities of $1,440,318. As to what the current year promises, much would seem to depend upon the success which attends the efforts of the Government to remove the obstacles which now stand in the way of a normal revival of the durable goods industries. If for no other reason, however, earnings should show considerable improvement over last year as a result of increased mining activities. The railway equipment field is a promising source of future business, as Ingersoll-Rand, in conjunction with General Electric, manufactures oil-electric locomotives having a high efficiency rating. While the shares are definitely in the longer term category, as such they have sufficient merit to warrant patience on the part of present holders.

AMERICAN SMELTING & REFINING CO.

I am somewhat concerned about American Smelting & Refining now that this stock is back near where I bought it last year. Do you think it should do better? Would you advise me to take my small profit, or continue to hold?—S. L. C., San Francisco, Calif.

Although the restricted demand for non-ferrous metals during the depression was an important factor contributing to the earnings decline of American Smelting & Refining Co., the unfavorable price situation existing prior to 1933, necessitating substantial yearly inventory write-offs, particularly for copper, was an element that contributed largely to the unfavorable showing. The absence of necessitous inventory write-offs, therefore, at the 1933 year-end, coupled with moderately improved conditions in the industry, as a whole, enabled the company to check the downward course of earnings. For the calendar year 1933 a profit of $6,010,384, equal, after allowing for dividend requirements on the two classes of preferred stock, to 77 cents a share was reported. This contrasted with a net loss of $4,506,175 for the preceding year. Balance sheet at the close of last year revealed a highly satisfactory financial condition: current assets amounted to $84,370,904, of which $23,197,607 consisted of cash and marketable securities, against total current liabilities of $14,082,436. Last year's report is more impressive when consideration is given to the fact that the major part of the betterment was registered during the final half of the year. Moreover, current reports indicate that results during the initial half of 1934 will equal those of the last six months of last year. In reflection of improved earnings the company is making notable progress in clearing up dividend arrearages on the first preferred stock; with the payment of $4.50 a share on the 7% cumulative first preferred stock June 1, last, accumulations on that issue have been reduced to $5.25 a sare, with distinctly favorable prospects for full payment of accumulations on the senior equity before the end of 1934. Of course, participation in future earnings betterment by holders of the common stock, from the standpoint of dividends on that equity, at least, must await full payment of accumulations on the 6% second preferred stock. On the other hand, with

indications pointing to ultimately higher prices for non-ferrous metals, particularly silver, the common stock, marketwise, should reflect anticipated further earnings improvement. On this basis, therefore, we see no immediate need for disturbing your present position.

AMERICAN BRAKE SHOE & FOUNDRY CO.

Do you think it advisable to continue holding 75 shares of American Brake Shoe & Foundry bought at 34½? If so, would you suggest averaging down at current prices?—A. A. M., Boston, Mass.

American Brake Shoe & Foundry Co., although originally producing only brake shoes and parts, now manufactures car wheels, steel forgings, track fixtures, bearings and many other products employed by railroads and industrial enterprises. In order to offset any possible shrinkage in demand for railroad brakes, the company, several years ago, began manufacturing braking material for use on heavy duty trucks and busses. In 1931, because of the success in its bus and truck division, the company began to produce brake linings for passenger cars. The decided improvement which has occurred in the automotive industry has undoubtedly had a favorable effect upon sales of the last named item and this may be expected to become increasingly important from an earnings standpoint. Reflecting improved general business conditions throughout the country and the consequent heavier movement of freight, demand for this company's products was greatly stimulated and enabled it to report net income to 1933 of $986,692, equivalent, after allowing for dividends on the 7% preferred stock, to 53 cents a share on the common stock. In the previous year, net income amounted to only $257,379, or $2.70 a share on the preferred stock. Although dividends have been in excess of earnings during the past three years, a strong financial condition has been maintained. Total current assets, as of the last year-end, amounted to $9,078,527, including cash alone of $2,421,499, and total current liabilities were $512,980. In view of the generally improved earnings outlook for the railroads, there is little question but that demand from this source will register further expansion, while its automotive equipment business also gives promise of further substantial growth. With no funded debt, and with only 94,605 shares of 7% preferred stock outstanding, per-share earnings on the common stock could rise rapidly with but a moderate improvement in its business. At current levels we feel that you are fully warranted in averaging down the cost of your original holdings.

GLIDDEN CO.

I regret I did not add Glidden Co. common to my holdings when recommended by you at much lower prices. I am wondering if you think present prices warrant buying this stock now.—L. K., Germantown, Pa.

Glidden Co., in addition to ranking as one of the leading manufacturers of paints, lacquers and varnishes, is an important factor in the manufacture of food products. The latter division has stood the company in good stead during the depression, in that profits derived therefrom neutralized, to a degree, the unsatisfactory conditions in the paint and varnish fields. On the other hand, with improvement currently being registered in demand for paints and varnishes, it is expected that that division will shortly regain its former importance as a revenue producer for the company. Earnings report for the six months ended April 30, last, revealed a considerable gain in net profits over the corresponding interval of 1933; net in the later period amounted to $806,080, in contrast with $30,210 a year earlier. Latest results reduced to a per-share basis on the common stock, after allowing for dividend requirements on the 7% prior preference stock, amounted to 89 cents a share, whereas during the six months ended April 30, 1933, a deficit was incurred on the common stock. Financial condition as of April 30, last, was entirely satisfactory; total current assets, including cash of $858,163, amounted to $12,634,266, against total current liabilities of $2,922,413. The company has recently called for payment on August 1, next, the outstanding 5½% 5-year notes due June 1, 1935, which amount to $3,348,000. With further earnings improvement anticipated during the remaining months of the current fiscal year, and in view of the company's satisfactory financial condition, the common stock is reasonably valued at prevailing quotations and merits favorable consideration for accumulation for the average business man's portfolio.

CONTINENTAL CAN CO.

I have 100 shares of Continental Can on margin, bought on advice contained in your Magazine. In view of my profit, I am wondering if I should sell now, or would you counsel buying this stock outright?—F. L. G., Minneapolis, Minn.

While Continental Can has not been entirely exempt from depression influences, it has certainly fared better than most industrial enterprises. Largely because of this, the company was able to maintain the $2.50 annual dividend until July, 1932, and then a reduction of only 12½ cents quarterly was necessary. The sharp earnings recovery which has been in evidence since April, 1933, however, resulted in the restoration of the stock to its former $2.50 annual dividend basis, with the quarterly payment of 62½ cents a share on November 15, 1933. Further earnings expansion during the current year led to an additional increase in distributions on the stock, placing it on a $3 annual basis, the highest to be paid since the stock dividend of 100% in 1928. That this is justified is attested by the company's report for the twelve months ended March 31, 1934, when net profit of $7,942,941, equivalent to $4.53 a share on the common stock, compared with $4,927,944, or $2.84 a share, for the preceding comparable period. The canning industry entered 1934 with one of the smallest carry-overs for some years past, which would indicate further expansion in demand for containers from this source. While the company still derives about two-thirds of its business from the canning industry, it enjoys a wide demand for containers from numerous other businesses. The recently adopted non-refillable cans for lubricating oil is a good example of the almost unlimited potential outlet. With a strong financial condition and conservative capitalization, there is little quesion but that a liberal dividend policy will be continued. While at present levels the yield afforded by the annual distribution of $3 a share is not high, the longer term earnings prospect certainly justifies a constructive attitude toward the market outlook for the stock. Accordingly, we feel that it would be sound policy for you to purchase your stock outright with a view to its longer term potentialities.

ATLANTIC REFINING CO.

With Atlantic Refining selling near its low for the year, I will appreciate your advice with regard to 100 shares on which I now have 2 points loss.—L. C. A., Hartford, Conn.

Atlantic Refining Co. is engaged principally in the refining and distribution of gasoline and lubricating oils. Although the company still purchases the major portion of its crude oil requirements, it has recently been increasing its own reserves which should eventually improve its position in the industry. In this connection, it is well to bear in mind that profits of concerns doing principally a refining business are determined largely by the spread

between prices for crude and that of refined products. Excessive refinery output has resulted in low gasoline prices, while quotations for crude oil have been maintained at relatively higher levels than prevailed prior to the adoption of restrictive measures. While this condition has tended to restrict recent earnings of Atlantic Refining, a strict control over costs and the efficiency of its refineries and distributing system permitted the company to report for the quarter ended March 31, 1934, a net profit of $613,000. This was equivalent to 23 cents a share on the common stock, as compared with 70 cents a share for the preceding three months. For the initial quarter of last year, a net loss of $3,127,000 was sustained. With the petroleum industry now entering its seasonal period of greatest gasoline consumption, a firming tendency is indicated for refined products. As a matter of fact, the company recently announced an increase in tank wagon and service station prices of gasoline amounting to one-half cent a gallon, which applied in all territories. In past years, Atlantic Refining has reported sizable per-share earnings on its common stock, and with indications pointing to improved refined prices under the oil trade code, the earnings outlook would appear fairly promising. It is our opinion, therefore, that the common stock is now quite amply deflated and should be retained on the basis of its more promising longer term outlook.

AMERICAN HIDE & LEATHER CO.

What do you think of the market outlook for American Hide & Leather common? I have been holding 100 shares of this stock for more than a year, but am dissatisfied with its recent action. Should I maintain my position or would you advise a switch?—H. D. G., Houston, Texas.

As a result of an unusually heavy demand for leather and a firmer price structure, the American Hide & Leather was able to report a net profit of $628,227 for the fiscal year ended June 30, 1933, equivalent to $6.28 a share on the 7% cumulative preferred stock, which was the first profit shown on this stock since 1927, when $1.43 a share was earned. The earnings improvement continued through the quarter ended September 30, 1933, when net income amounted to $379,719 and was equivalent to $3.80 a share on the 7% preferred stock and to $1.78 a share on the common. The subsequent decline in demand and prices, however, is revealed in the statement for the following quarter, when net income fell to $87,488, equivalent to only 87 cents a share on the preferred stock, or less than dividend requirements. This downward trend of revenues continued through the March quarter and it now appears unlikely that full dividend requirements on the $7 preferred stock will be earned for the fiscal year to end June 30, next. Although the company has maintained a satisfactory financial condition, unpaid dividend accumulations on the preferred of more than $20,000,000 certainly places the common a long way from participation in profits. The management has effected many operating economies during recent years and has demonstrated its ability to participate substantially from improvement in the trade, but over capacity and an extremely competitive situation are factors which will be difficult to immediately overcome. Because of this, and because of the substantial amount of dividends which is due holders of the preferred stock, we fail to recognize the incentive for continued retention of the common and suggest a switch to some other issue, the outlook for which is more promising.

Whither the Star of Bethlehem Steel?

(Continued from page 248)

much activity until the enormous amount of surplus ocean-going tonnage has been absorbed. Improvement in world shipping conditions, however, should benefit the company's repair plants.

Taking all of these factors into consideration, the immediate future of Bethlehem Steel from the investors' point of view is not too reassuring. In 1936 and 1937 a total of $64,600,000 of the funded debt matures, all but approximately $7,000,000 of which must be retired in 1936. Then there are other unfavorable factors. As with all steel companies, Bethlehem's earnings on invested capital have always been comparatively low, averaging 4.5% in the period 1922-1930 and reaching only 7.6% in prosperous 1929. The company is forced to work on a relatively thin margin of profit, therefore as volume fluctuates, earnings do also. Bethlehem's percentage of operating profit to sales has averaged in normal years about 13%, although reaching 18% in 1929, while the percentage of net profit to sales, while amounting to 12.3% in 1929, do not normally average more than 6% to 7%.

On the other hand, simplification of the corporation's capital structure is slowly but surely improving the position of the equities. Gradually bu

consistently the corporation is reducing its funded debt, which at the end of the last calendar year stood at $121,256,639 in the hands of the public, compared with $245,607,889 in 1924, following the acquisition of the Lackawanna, Midvale, and Cambria properties. The difference represents a saving of annual interest of approximately $2 per share of common stock. The funded debt per ton of ingot capacity is now only $13, compared with $48 in 1920.

Such developments are favorable to stockholders of Bethlehem provided sufficient improvement occurs in general business to foster greater activity in the steel industry. The price of $32 a share for the common, however, already discounts a measure of such prospective improvement in earning power. While the stock will undoubtedly sell higher under more favorable market and business conditions than those now prevailing, it will be some time before it does so on the basis of actual earnings applicable to the common shares. Dividends on the preferred as of April 1 were in arrears to the extent of $11,440,115, or approximately $3.60 per share of common.

The common stock must therefore be regarded distinctly speculative from any near term viewpoint. Longer range potentialities are brighter for the company is unquestionably well-balanced, highly organized, and efficiently managed, and is constantly increasing its sphere of influence.

And, as a purely speculative feature, there may always be another war.

Big Three in Motordom Contend for Sales Leadership

(*Continued from page 243*)

would Ford, who typifies a rugged individualism that seems to be fast dying, ever agree to co-operate with anyone—at least on anything that in the slightest degree affected his power to sell Fords for exactly what he wanted.

Barring the dynamic widening, unexpected and unlikely, of the market for automobiles, one can only arrive at the conclusion that the public will benefit most from the stage of acute competition that appears to face the low-priced field. The policy of "more for the same money" is changing to "more for less money" and, under such conditions, it will tax the capacity of management to the utmost to show reasonable earnings and pay the dividends to which holders of automobile stocks in the past have been accustomed.

Labor Poises the Monkey Wrench

(*Continued from page 238*)

its demand that the Government become an avowed partner in its cause. From the Federation's point of view, the danger may not appear great under the New Deal. But what when the political pendulum swings the other way—as it inevitably will sooner or later—and a conservative administration comes into power?

Here, of course, we are in a field of fancy, but logical nonetheless. Fortunately, Mr. Roosevelt sees with clearer vision than the national union leaders. He is right, and is acting in the longer interest of both labor and industry, in clinging essentially to a course of mediation; and in supporting the kind of collective bargaining represented in the solution of the threatened motor strike, rather than the monopolistic brand of the A. F. of L.

In the broader picture, the steel strike which was recently threatened is an incident which further clarifies the labor policy toward which the Administration is moving.

This much is plain: The majority of steel workers did not want a strike. The union leaders, even the most radical, did not want a strike. What they wanted was to force the Government to espouse their cause of recognition. The strike threat was a bluff which failed.

In this situation, in the threatened motor strike, in the threatened general textile strike and, indeed, in the general conduct of the American Federation of Labor's drive for its place in the sun, an impartial observer can not escape the suspicion that the "labor movement" headed by Mr. Green is confused or is bogged down in dissension and divided councils, or is unintelligent.

If intelligent and united, how can one account for the timing either of the textile strike threat or the steel strike threat? The former came at a time when the textile industry was suffering from over-production, when a 25 per cent curtailment of production had been ordered by N R A and when most textile mills would have welcomed a complete shut-down. The steel strike threat came at a time when the steel industry had for weeks produced in excess of actual consumption needs, when buyers were well stocked up, and when the industry was on the verge of its third-quarter let-down.

The steel industry can better afford to close down than employees can afford to do without wages and food. This may be a cruel point of view. It is, however, a realistic one.

Labor can and will gain much under the New Deal and from industry's presently developing sense of social, as well as economic, responsibility. It does not follow that the benefits have to flow down through the hands of self-appointed, professional leaders quite humanly interested in their own jobs, which are supported by dues-paying union members. The more millions of dues-payers, the merrier!

If the Federation doesn't get from the Administration or Congress what it wants, who will lose? The millions of workers? Or the hundreds of union leaders? The writer believes the reader can guess the answer.

In the Next Issue

Can Inflation Be Avoided?

If industry is not independent of government aid by the time present appropriations are exhausted, can further inflationary measures be avoided? Silver legislation is highly significant of what may happen. Can further tendencies be checked? An unbalanced budget at present says "no"; price prospects "yes".

Recovery, Reflation and Reform

(*Continued from page 239*)

renovation of residences chiefly by a loan insurance device, which it is hoped will aid construction and resuscitate the durable and producers' goods industries.

The act reorganizing the Postal Air Service and sustaining the cancellation of then existing contracts.

The Wagner bill for composing labor disputes was on its way to passage, after conservative amendment, as this was written.

Congress may have made or unmade the fortunes of the United States for the near and even the distant future, but it is not open to the reproach which has brought parliamentarism into disfavor abroad that it was incapable of swift and decisive action.

Buy? — Hold? — Sell?

(*Continued from page 228*)

out of a stock nowhere near exhaustion.

Maintenance of the existing position, improved though it may be in comparison with the first quarter of 1933, is out of the question. Even if one considered unemployment of some 10,000,000 individuals and business activity 25 per cent under normal as satisfactory, these levels themselves can not be maintained without further governmental inflation — in whatever form — or without business recovery. For these sub-normal levels reflect the benefit of governmental expenditures which have exceeded revenues by nearly $4,000,000,000 in the fiscal year now about to end.

In other words, merely to maintain present conditions, business must create and distribute an additional $4,000,000,000 of purchasing power within the next year if the Federal budget after the close of the next fiscal year is to be balanced. To a realist, the chances that business will do so appear remote.

The current business and industrial records are mixed. Steel operations have advanced to a new high for the year for reasons abnormal and temporary, as above pointed out. Railway car loadings and the output of electricity remain at levels but slightly changed in recent weeks. Automobile production has slackened further, as is seasonally normal, but recent price reductions by the majority of manufacturers are reported to have brought a moderately better sales response. The same is true in textiles, where price cuts and reduced mill operations are tending to work down top-heavy inventories.

Centering large in present business interest are the price cuts appearing in various lines as a result of retreat from N R A price fixing, conjecture as to the business effects of the drouth in the west, and concern over labor difficulties, especially in the steel industry.

The return to a more competitive price situation we believe to be essentially healthy, for there is little danger that it will extend into cut-throat destruction. Initial fears of the business consequences of the drouth we believe to be exaggerated. As offsetting factors, the larger number of farmers in states not affected, and in other states not seriously affected will receive substantially higher prices for their products and the loss of purchasing power by affected farmers will be to a large extent compensated by government relief. As for labor troubles, the chances are that they have passed their peak of intensity, for the Administration now seems inclined to accord full recognition to the rights of both capital and labor, to confine itself chiefly to the role of mediation and to avoid stubbornly any official support for the American Federation of Labor's drive to impose its own brand of unionism on all major industries.

New Financing Unshackled

(*Continued from page 233*)

1,600 pages of exhibits. Here we have fair samples of the workings of over-zealous reform. The American Water Works statement was too voluminous to be of practical use to any investor and its preparation necessarily involved undue expense. The sale, intra-state and orally, of the Brooklyn Manhattan Transit Co.'s bond issue shows that entirely legal means can be employed to avoid the penalties of the act—if the inducement is sufficient and if enough customers can be found intra-state. One can not escape the conclusion, however, that such financing on any large scale will prove impractical and over-costly. Yet it does suggest that when and if any attractive bits of financing happen along, the bankers probably will find means of handling them, especially under the act as now modified.

Judged by the present high level of prices for sound bonds, there is ample investment demand. What is chiefly lacking is a confident demand on the part of sound corporations for new long-term capital. The average business man is steering close to shore. He doesn't know what the New Deal will do ultimately to the dollar, to his costs and to his profits. His fear and caution may be exaggerated, but are there all the same. He is disturbed and uneasy in the shadow of political and social transition, however desirable it may be in the longer public interest. It will take him some time to get used to it in any event, and to decide to expand his plant. Meanwhile, he is more than willing to leave most of the long-term investing and planning to Uncle Sam.

For Features to Appear in the Next Issue

See Page 222

Dividends and Interest

Endicott Johnson Corporation

Dividend No. 61

The Board of Directors has declared a quarterly Preferred Dividend of One Dollar Seventy Five Cents ($1.75) per share, and a Common Dividend of Seventy Five Cents ($.75) per share, payable July 1, 1934, to stockholders of record as at the close of business June 18, 1934.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, Secretary.

June 4, 1934.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

June 8th, 1934.

THE Board of Directors has declared a quarterly dividend of 25c per share on the Common Stock of this Company, payable on the 30th day of June, 1934 to stockholders of record at the close of business on the 16th day of June, 1934. Checks will be mailed.

DAVID BERNSTEIN

Vice President & Treasurer

Bank, Insurance and Investment Trust Stocks

IMPORTANT ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (3)	61½	63½
Brooklyn (4)	110	115
Central Hanover (7)	128	132
Chase (1.40)	27½	29
Chemical (1.80)	40½	42½
City (1)	27½	29
Corn Exchange (3)	51½	53½
Empire (1)	19	20
First National (100)	1695	1735
Guaranty (20)	370	375
Irving Trust (1)	16½	18
Manhattan Co. (2)	30½	32½
Manufacturers	21½	23
New York (5)	107	110
Public (1.50)	34	36
United States Trust (70)	1720	1770

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	39¼	40¼
Aetna Life	19¾	21¼
Carolina (1)	20½	22
Glens Falls (1.60)	28¼	29¾
Globe & Rutgers	34	37½
Great American (1)	18½	20
Hanover F. (1.60)	28½	30

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hartford Fire (2)	52½	54½
Home (1.05)	24	25½
National Fire (2)	54½	56½
North River (.75)	19¾	21¼
Phoenix	62½	64½
Travelers (16)	440	455
United States Fire (1.50)	37½	39½
Westchester F. (1.20)	26¼	27¾

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd.	13½	15½
Amer. & Gen. Sec. $3 Pfd.	38	43
Bullock Fund	11¾	12¾
Collateral Tr. Sh.—A	4⅝	5¼
Corporate Trust—AA	2.25	2.37
Incorporated Investors	17.66	18.98
Interl. Sec. Corp. of Amer., Pfd	13	16½
Do Cum. Pfd	13	16½
Nation-Wide Securities—B	3.28	3.38
No. Amer. Trust Shares 1958	2.33	2.65
Second Intl. Securities A	½	2
Do 6% Pfd.	25	31
Spencer Trask Fund	15¾	16⅝
U. S. & British Internl. Pfd	5	8
Uselps Voting A	12⅜	12⅞

MARKET STATISTICS

	N. Y. Times	—Dow, Jones Avgs.—		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, June 4	81.79	92.73	42.24	81.41	80.57	358,240
Tuesday, June 5	81.97	94.66	43.14	83.13	81.52	740,960
Wednesday, June 6	82.09	94.77	43.78	83.69	82.71	665,100
Thursday, June 7	82.12	94.72	43.29	82.98	82.25	467,450
Friday, June 8	82.62	98.44	45.09	86.11	82.83	1,607,020
Saturday, June 9	82.78	98.90	45.31	86.52	85.90	703,450
Monday, June 11	82.73	97.82	44.69	85.94	84.98	749,180
Tuesday, June 12	82.85	98.78	45.23	86.75	85.11	946,680
Wednesday, June 13	82.95	98.75	45.55	87.30	86.04	884,015
Thursday, June 14	82.84	97.15	44.69	86.07	84.80	632,486
Friday, June 15	82.94	98.70	45.25	86.61	84.91	733,540
Saturday, June 16	83.12	99.85	46.25	87.63	86.77	576,295

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely counsels subscribers what securities to buy or sell short and when to close out or cover. (783)

"TRADING METHODS"
This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861)

ELECTRIC BOND & SHARE CO.
Full information or reports on companies identified with Electric Bond & Share Co., furnished upon request. (898)

MARGIN REQUIREMENTS, COMMISSION CHARGES
Springs & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

INVESTMENT INFORMATION
A well known Stock Exchange firm will be glad to receive inquiries pertaining to investment matters. (959)

REPRESENTATIVE COMMON STOCKS
A tabulation of the record of fifty companies over varying periods of time. Write for copy on business letterhead. (978).

Armour & Co.

(Continued from page 253)

on their investment is indeed remote. Not only has the company to accumulate earnings to the point where assets will be in excess of stated capital under the Illinois law, but they must wait until the company has liquidated accumulated preferred dividends, put itself in a position to pay the regular 7% on the preferred, and further increased earnings so that there is a margin over and above even all this. On the other hand, if the plan goes through, they will benefit by virtue of the fact that their company will not have to liquidate the accumulated preferred dividends in cash and also from the annual reduction in preferred dividends of $572,313 (a $6 rate instead of a $7 rate).

Position of Preferred Stock

So far as the holders of the preferred are concerned, the situation is less clear cut. They consent to a reduction in the nominal dividend rate that they are to receive and, further, they give up claims to substantial accumulated dividends in exchange for two shares of new common stock. The conversion privilege of the new prior preferred stock—into six shares of new common—will be ignored for the moment because it is unlikely to have any immediate cash value. Totalling both sides of the account, the dispassionate observer probably would arrive at the conclusion that the exchange is against the present preferred stockholders. *But*, if they cannot obtain a better bargain from the "A" and "B" stockholders, they had better accept the terms offered, for without the latter's co-operation, as stated by the company itself, the preferred stockholders, too, will probably have to wait a long time before receiving any return. The preferred stockholders might contend with some justice that the plan should be put through without in any way changing their rights, but, this is a hard world and unless two-thirds of the "A" stockholders and two-thirds of the "B" stockholders agree, the former can argue until they are blue in the face without result—justice or no justice. In other words, a state law has put the "A" and "B" stocks in the fortuitous position of being able to make demands on the preferred—demands which may or may not be strictly ethical.

Holders of the preferred, of course, may refuse the offered terms and, by so doing, make dividends for the "A" and "B" holders extremely remote. Dividends for the latter, however, are remote in any event, so that they are not likely to be particularly impressed by such a threat. On the other hand, remembering that all classes of stock have equal voting power, what would be the result if the holders of the preferred all voted for the capital reorganization and yet did not deposit their stock for exchange into the prior preference stock? In his recent message to stockholders, the president of the company stated, ". . . . the plan will not be carried out unless in the judgment of the Proxy Committee appointed by the Board as stated in the plan, sufficient preferred stock is deposited or agreed to be deposited for exchange to warrant the carrying out of the plan." Nevertheless, if—although most unlikely—two-thirds of each class of stock voted for capital reorganization, though not a share of preferred was deposited for exchange, it is hard to see how any judgment of the Proxy Committee could prevent the plan being carried out. This, however, is to get away from the point for, as a practical matter, it is certain, unless the Proxy Committee is satisfied, that the chances are negligible of finding enough "A" and "B" stockholders in a favorable frame of mind.

From one standpoint, the prosposed plan is ingeniously meritorious. In the event that it should go into effect, small non-consenting minorities do not appear to have much of a chance of doing better than those who consent. A non-consenting preferred minority, for example, will find a large block of senior stock ahead of it. This probably will have been paying dividends for some time before the directors even consider paying anything on account of the existing (minority) preferred. A year or two of such treatment and patient indeed will be the holder of the existing preferred that has managed to resist the pressure to convert.

At the beginning of this discussion it was stated that should the Armour plan be made effective, it will make the company itself neither richer nor poorer. While this is, of course, true, it is to be noted that should capital reorganization result in the payment of dividends that would not have been paid otherwise, the position of the bondholders and the holders of the "Delaware" preferred has become less strong. In other words, the margin of safety for holders of senior securities

will have been weakened to the extent that dividends are being distributed on junior securities, instead of being piled up for the former's greater protection.

So far as Armour's general business is concerned, this now enjoys improved prospects. Consumption of meat has increased, prices are up and most packing house by-products are now on a more profitable basis. Livestock damage resulting from the severe drought in the Middle West may well be instrumental in putting the whole industry under a stronger and less artificial price structure. On the unfavorable side, there is still the threat of further labor troubles and foreign countries still persist in restricting the packers' exports by means of quotas.

Earnings Show Improvement

For the six months of the current fiscal year ended April 28, Armour of Illinois and subsidiaries reported after all expenses and charges, earnings equivalent to $3.39 a share on each of the 7% preferred shares of the Illinois company. This was 11 cents a share short of the half-year's dividend requirements on this stock. The company, however, points out that had the proposed plan for capital reorganization been effective, the reduction in depreciation and other charges would have made the half-year's earnings $3,017,628 instead of $1,942,628, to which the preferred would have had first claim. The company goes on to say: "Assuming that all of the present preferred stock should be exchanged under the plan, and making all adjustments in depreciation and other charges contemplated by the plan, there would be applicable to dividends on the prior preferred stock in a year like 1933 approximately $6,400,000, or just over 1.8 times dividend requirements on the prior preferred stock. After deducting $6 dividends on such stock, there would be on this basis approximately 70 cents a share earned on the outstanding common stock before conversion of the prior preferred stock."

And now the final question: is there anything in Armour's present earnings, the outlook, or the proposed plan of capital reorganization that presents an investment opportunity? If there is, it appears to lie in the existing "Illinois" preferred. Nor is there a contradiction in this statement and the previous implication this stock might perhaps have been given more generous treatment under the proposed plan. To make this point still clearer: there is nothing illogical in taking a position that the preferred as a preferred is not faring particularly well under the plan, but that a purchaser at the current market price of $68 a share probably will have no cause for regret. A buyer at this level, should the plan be put into effect, will receive a share of $6 prior stock, now selling on a "when issued" basis around $60 a share, and two shares of common stock, currently quoted "when issued" at $6 a share. The dividend on Armour's $6 prior stock, even without the aid of lower depreciation charges, would have been covered in the first six months of this fiscal year. Such a stock earning and paying its dividend ought to sell on a better basis that the present 10%—perhaps an 8% basis would be a return sufficiently generous to compensate for the uncertainties in Armour's business prospects. Even this probably would be overhigh should the company's business be fairly well-sustained over the next six months. In any event, an 8% return represents a price of $75 a share for the new prior stock. The new common stock at $6 a share appears to be more-or-less in line with present earnings' prospects. Adding the value of two of these shares to the estimated value of the prior stock, it would seem that a purchaser of the "Illinois" preferred at the present price of $68 could well gain between 20% and 30% on his investment—and do it without the aid of miracles.

On the other hand, there is one adverse possibility for the immediate future that must at least be recognized. Should Armour's proposed capital reorganization plan be voted down, and despite valid prospects of driving a more satisfactory bargain with the "A" and "B" stockholders some time in the future, the "Illinois" preferred could well slip below even present levels, as the result of disappointment and the deferment of all income for an indefinite period.

Crop Outlook and Railroad Earnings

(*Continued from page* 245)

Pacific, it will have a long haul, on a large volume, to the mills at Minneapolis and other points, at a high freight rate, and that this will help substantially to compensate for the losses in the eastern area.

Wheat is an important factor in Great Northern's freight traffic. In 1933 the company carried 1,875,616 tons. W. P. Kenney, president, while unwilling to make predictions as to probable crops this year, calls attention to recent beneficial rains.

St. Paul officials are perhaps more discouraged over the wheat outlook in their territory than are the officials of any other important railroad in that section. Fred W. Sargent, president of Chicago & North Western, says there is still a chance for a fair corn crop in the sections served by that road. Its most recent crop report stated that, with good rains, crops, with the exception of winter wheat, might average 50% to 75% of normal. Since the issuance of that report, the best rains since the drought began, have fallen.

So much for the crops and their effect upon railroad traffic and earnings directly and indirectly. Important as they are to the prosperity of the railroads, it should be remembered that agricultural products of even the largest railroad systems in the great agricultural areas of the West, where the drought has been the most severe, represents a smaller tonnage in the aggregate, with a few exceptions, than products of mines, and much smaller than manufactures and miscellaneous.

Take the Great Northern. In 1933, as just noted, it carried 1,875,616 tons of wheat and 4,105,609 of agricultural products of all kinds. Iron ore alone contributed 5,728,396 tons, bituminous coal 1,620,470 tons, products of mines as a whole 8,733,168 tons, or more than double the tonnage of those of agriculture. So far this season, Great Northern has carried much more iron ore than for the same period last year. If the activity in the steel industry is maintained, the total for this year will be much in excess of that for 1933.

Look at the Rock Island, supposedly a carrier of agricultural products primarily. For 1933 the latter contributed 5,412,364 tons, while products of mines supplied practically the same, 5,410,181 tons. Wheat tonnage totalled only 1,175,797 tons, but bituminous coal 2,461,267 tons.

Much the same proportion between agricultural and mining products will be found to obtain on practically all the large railroads of the West. Of course, grain carries a much higher freight rate than coal, and it is true also that from the proceeds from the sale of the former, great quantities of merchandise are bought, which materially swell this highly important freight classification of all these railroads. It is for these reasons that damage to grain and other agricultural products is felt most keenly by the railroads.

If the weather is reasonably favorable for the rest of the season, crops on the whole, with the exception of winter wheat and a few others in the Northwest, should be as good as for last year and perhaps better. Present and prospective owners of railroad securities should follow closely weather developments and the earnings of western railroads from month to month.

World Business Gains

(*Continued from page 231*)

For the same reasons, we can—at least for the present—dismiss Russia, although her ultimate potentialities in world economics may prove tremendous.

In summary: All of the countries of major interest to us are presently at levels of economic activity substantially above the depression low. Whether this constitutes an irresistible natural tide back to economic normalcy, however, is beyond reasonable conjecture. What we call "normalcy" disappeared with the war. It is a new Humpty Dumpty that each nation and most governments are striving to erect. Apparently the old one can never be put back together again.

For Profit and Income

(*Continued from page 254*)

Perhaps something will come along to help steel. To some degree, industrial illness tends to work out its own correction. In the long run, however, there is greater safety and profit in the healthy industries. Banking on exceptions, in advance of positive proof of a fundamental change for the better, reduces investment to a gamble.

* * *

Profits Depend Upon Costs As Well As Volume

With business volume on the increase, there is a general blithe assumption that profits too are on the upgrade. In the majority of cases perhaps they are; but in others this definitely has not been so. There are other factors to be taken into consideration apart from activity. The chemical companies, for example, did reasonably well last year because there was an increase in demand with only a corresponding increase in costs; the merchandising companies did well indeed because, although there was little increase in volume, they were able to raise selling prices faster than costs rose; finally there is the present curious state of the steel companies. Here wages are materially higher than in 1929, while finished steel prices are up only slightly, so that, despite the comparatively high rate of activity at which they are operating, the outlook for profits is by no means all that it might seem. It would be wise, therefore, when hearing that some company is operating at twice the capacity of last year, or at three times the rate of the previous month, to inquire as to the general cost factors before jumping to the conclusion that larger dividends are to be anticipated.

* * *

Metals Acting Better

In the stock market the metal shares have been regaining a measure of their old popularity in the past few weeks. A number of these issues are well within striking distance of their high for the year. Nor can it be said that the better market action is without fundamental justification. Copper is now at 9 cents a pound for domestic delivery and, although consumers are believed to be stocked up fairly heavily at lower levels, industrial conditions are such that they may be in the market again before long. Additional evidence of the improved position of copper is to be found in the recent 15-cent distribution to stockholders made by Kennecott—the first in more than two years. Lead and zinc have been bought in fair volume in recent weeks, but there has not been the same tendency to raise prices as in the case of copper. The stocks of the precious metal companies in some instances recently established new highs on the interpretation that governmental actions and restatements of policy have increased the prospects of ultimate inflation. Looking at the metals as a whole, it seems that this is a field that might well be searched for investment opportunities.

The Road to Recovery

(*Continued from page 235*)

enter, each individual buys with his surplus or with what he currently produces.

Production and distribution are the real base of prosperous trade, provided the *exchange machinery is functioning*. I refuse to believe that we can not make it function to the limit of human production and capacity to consume. I will not subscribe to the defeatist doctrine that we must enjoy less because we can produce more.

In the Next Issue

Which Way for Business?

By John D. C. Weldon

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer	85¾	62¾	67½
Amer. Cyanamid B (.25)	22½	15⅛	17⅞
Amer. Gas & Elec. (1)	33⅜	18⅝	25¾
Amer. Lt. & Tr. (1.60)	19⅜	10¾	13¾
Amer. Superpower	4⅞	2¼	2¾
Assoc. Gas Elec. "A"	2⅜	7/16	⅞
Atlas Corp	15½	10⅛	11⅛
Cities Service	4¼	1¾	2½
Cities Service Pfd	26⅞	11¼	24⅝
Colum. G. & E. cv. Pfd. (5)	103	68	91¼
Consol. Gas Balt. (3.60)	65⅛	53	64
Creole Petroleum	13⅜	9⅝	12¾
Distillers Cp. Seag	26⅝	14⅞	16⅝
Elec. Bond & Share	23½	10⅞	15⅜
Elec. Bond & Share Pfd. (6)	60	31	49⅜
Elec. Pr. Assoc. (.40)	8	3¾	5¼
Ford Motor of Can "A" (.50)	24⅞	15	21½
Ford Motor, Ltd	9⅝	5½	8
General Aviation	9½	4	4½
Glen Alden Coal	20¾	10¾	17
Great A. & P. Tea N.-V. (7)	130	121	128½
Greyhound Corp	19⅜	5⅜	18
Gulf Oil of Pa	76¾	56½	66¾

Name and Dividend	1934 Price Range High	Low	Recent Price
Hollinger Gold (.95)	19⅝	11⅜	18
Hudson Bay M. & S.	14¾	8¾	13¾
Humble Oil	46⅜	33¼	45
Imperial Oil (.65)	15¼	12⅝	15
Inter. Petrol. (1.56)	29⅛	19⅜	28½
Lake Shore Mines (2½)	54⅝	41½	52⅞
National Sugar Ref. (2)	37½	29	37½
Niagara Hudson Pwr	9⅜	4⅞	5¾
Novadel-Agene (7)	23¼	19⅝	21½
Parke, Davis (1.20)	25⅜	22⅜	24
St. Regis Paper	5⅛	2⅛	3¼
South Penn. Oil (1.20)	26½	17½	25¼
Standard Oil, Ky. (1)	17⅝	14⅝	16½
Standard Oil of Ind. (1)	32¾	25	27⅛
Swift & Co. (.50)	19	13⅞	17¼
Swift Int'l (2)	32⅞	23¾	30½
Technicolor	14⅝	7⅝	14
Tech Hughes (.60)	8⅛	5⅝	6⅞
United Founders	1½	11/16	13/16
United Gas Corp	3¾	1⅞	2¾
United Lt. & Pwr. A	5⅜	2⅜	2⅞
United Shoe Mach. (5)	68⅜	57¾	67⅝
Walker Hiram H. W.	57½	30¼	37¾
Wright Hargreaves (.55)	10⅜	6⅝	9¾

Following closely the lead of the "Big Board," trading on the New York Curb Exchange over the last fortnight has reflected a marked improvement in speculative sentiment, a moderate increase in trading activity and on irregular rally in prices.

No doubt the prospect of an imminent adjournment of Congress has had much to do with the recent and current improvement. Yet it must be remembered that the market had been in an irregularly declining trend since the first week of February, or more than four months. After a reaction of this scope, over-doing pessimism, an upward reversal probably needs no external explanation.

Trading Range

As a matter of fact, both reactions and rallies for many weeks have been confined within a trading range and hence are only of the most transient significance. Currently the list is at an average level some 10 to 12 per cent under the high point of 1934. The latter level approximately duplicated the peak of July, 1933. Those two points constitute a broad "double top" of the bull market which began in the spring of last year.

Thus a renewed phase of major advance awaits some dynamic fresh impulse not now in sight. It is unlikely to be supplied in the near future by business recovery, but it appears a reasonable probability that it can come in a renewal of inflationary psychology within the next few months.

Bearing on this point, the Federal budget remains far out of balance. More to the point, the President's announced objective of bringing it to a balance by July, 1935, appears increasingly improbable of realization, whereas six months ago it was thought at least to be a possibility.

Inflation Prospect

In short, heavy emergency Federal spending will remain a speculative factor indefinitely. From Washington the word has already gone out that the spending program will be speeded up this summer in order to give business a stimulant which will brighten the autumn picture. It is a logical inference that this program is not unrelated to the Congressional elections of next November, the first major political test for the New Deal.

Meanwhile, nothing could better illustrate the "protection" psychology to which investors cling than the continued firmness of the gold mining shares.

For Features to Appear in the Next Issue

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